

FY 2009



# U.S. DEPARTMENT OF **ENERGY**



*Working to Save  
the Planet*

DOE/CF-0043

# AGENCY FINANCIAL REPORT

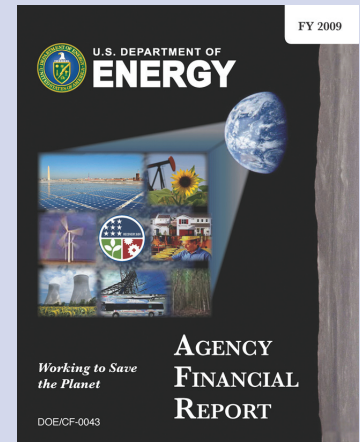
## FOREWORD

The [Reports Consolidation Act of 2000](#) authorizes Federal agencies, with the [Office of Management and Budget's](#) (OMB) concurrence, to consolidate various reports in order to provide performance, financial and related information in a more meaningful and useful format. In accordance with the Act, the Department of Energy (Department or DOE), has produced a consolidated Performance and Accountability Report (PAR) in previous years. For fiscal year (FY) 2009, the Department has chosen to produce an alternative report to the consolidated PAR and will produce an Agency Financial Report, an Annual Performance Report and a Summary of Performance and Financial Information, pursuant to the OMB Circular A-136. This reporting approach simplifies and streamlines the performance presentations while utilizing the Internet for providing and leveraging additional performance information. The Department's FY 2009 reporting includes the following three components and will be available at the website below, as each component is completed:

### Agency Financial Report (AFR)

The AFR is organized by the following three major sections:

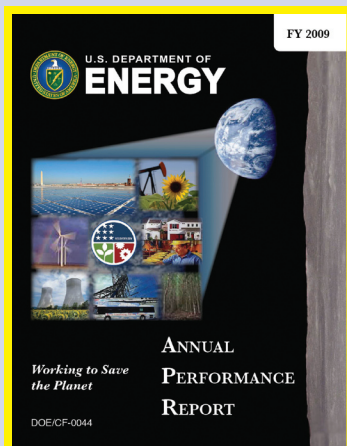
- *Management's Discussion and Analysis* section provides executive-level information on the Department's history, mission, organization, Secretarial priorities, analysis of financial statements, systems, controls and legal compliance and other challenges facing the Department.
- *Financial Results* section provides a Message from the Chief Financial Officer, the Department's consolidated and combined financial statements and the Auditors' Report.
- *Other Accompanying Information* section provides the Inspector General's Statement of Management and Performance Challenges, Improper Payments Information Act Reporting details and other statutory reporting.



### Annual Performance Report (APR)

[will be available February 15, 2010]

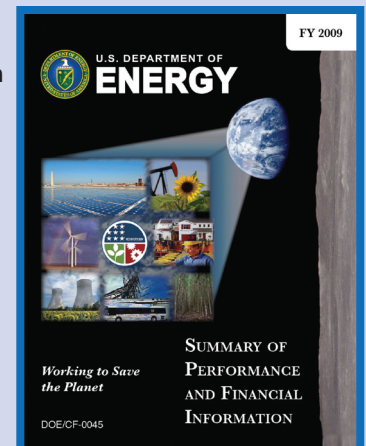
The APR will be produced in conjunction with the Congressional Budget Justifications and will provide the detailed performance information and descriptions of results by each performance measure.



### Summary of Performance and Financial Information

[will be available February 15, 2010]

This document will highlight the most important performance and financial information from the APR and AFR in a brief, executive format.



This report meets the following legislated reporting requirements:

- Improper Payments Information Act (IPIA) of 2002 permits reporting on agency efforts to identify and reduce erroneous payments.
- Reports Consolidation Act of 2000 requires the consolidated reporting of performance, financial and related information in a PAR.
- Federal Financial Management Improvement Act (FFMIA) of 1996 requires an assessment of the agency's financial systems for adherence to Government-wide requirements.
- Government Management Reform Act (GMRA) of 1994 requires agency audited financial statements.
- Federal Managers' Financial Integrity Act (FMFIA) of 1982 requires a report on the status of internal controls and the agency's most serious problems.
- Inspector General (IG) Act of 1978 (Amended) requires information on management actions in response to IG audits.
- Department of Energy Organization Act of 1977 requires an annual report on agency activities.

All three PAR reports will be available at [www.energy.gov/about/budget.htm](http://www.energy.gov/about/budget.htm)



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## MESSAGE FROM THE SECRETARY



I am pleased to present the Department of Energy's *Fiscal Year 2009 Agency Financial Report*. This report provides key financial and performance information that demonstrates our accountability to the American people for both our financial results and our success in achieving our mission of "Discovering the solutions to power and secure America's future." It is the first of three integrated reporting components. The remaining two reports, the *FY 2009 Annual Performance Report* and the *FY 2009 Summary of Performance and Financial Information*, will be available in February 2010.

In response to this difficult economic period, the Department of Energy is making critical investments in a multi-year effort to address the interconnected challenges of economic uncertainty, U.S. dependence on oil, and the threat of a changing climate. Meeting these challenges will require both swift action in the near-term and a sustained commitment for the long-term to build a new economy powered by clean, reliable, affordable, and secure energy.

Near-term action to stimulate the economy came from the American Recovery and Reinvestment Act of 2009, which was signed into law by President Obama on February 17, 2009. It is an unprecedented effort to jumpstart our economy and create or save millions of jobs. The Recovery Act also made a down payment on our clean energy future. In fiscal year 2009, the Department of Energy received nearly \$37 billion through the Recovery Act to complement the base appropriation of \$34 billion. The base appropriation increased by over \$9 billion from the FY 2008 level due to additional funding of the Advanced Technology Vehicles Manufacturing Loan program and numerous science, energy, and national security initiatives.

The short-term impact of the Recovery Act combined with the new approaches and long-term vision of this administration are beginning to lay the groundwork for a new clean energy economy. These investments are crucial to ensuring America can compete for the jobs of the future and lead the world in a new Industrial Revolution in clean energy.

Since assuming my new role as the Secretary of Energy this year, one of my top priorities has been to amplify the fundamental research undertaken by the Office of Science with novel approaches to solving the Nation's energy problems. While the Department has made important contributions over the years, we are still confronted by the fundamental problem of energy security and the looming threat of



climate change. To address these challenges, the Department is launching three initiatives designed to cover the spectrum of basic to applied science to maximize our chances of advanced energy technology breakthroughs:

- Energy Frontier Research Centers -- small-scale collaborations, predominantly at universities, that focus on overcoming known hurdles in basic science that block energy breakthroughs versus developing energy technologies themselves;
- Advanced Research Projects Agency-Energy -- a highly entrepreneurial funding model that explores potentially revolutionary technologies that are too risky for industry to fund; and
- Energy Innovation Hubs -- multi-disciplinary, highly collaborative teams ideally working under one roof to solve priority technology challenges, such as artificial photosynthesis (creating fuels from sunlight).

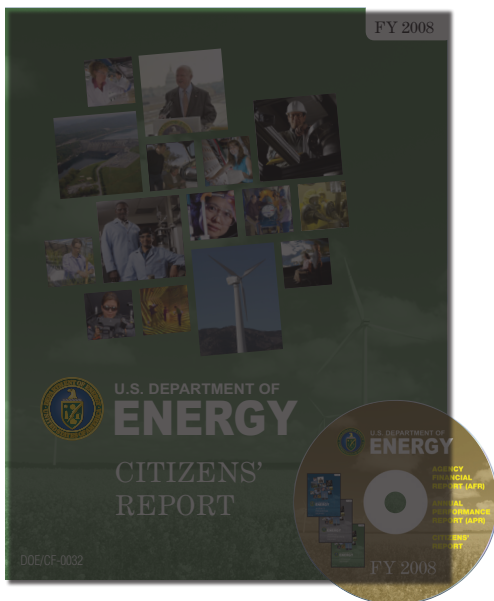
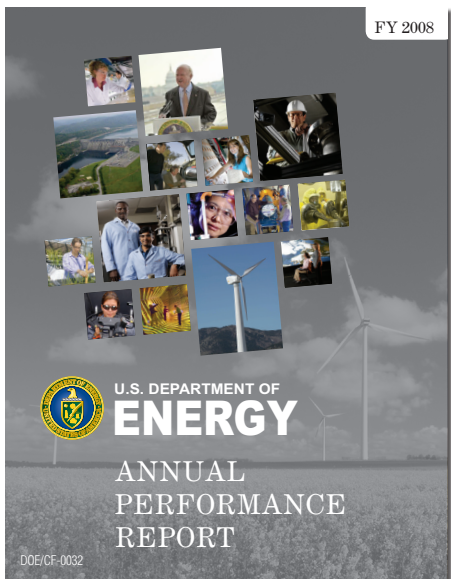
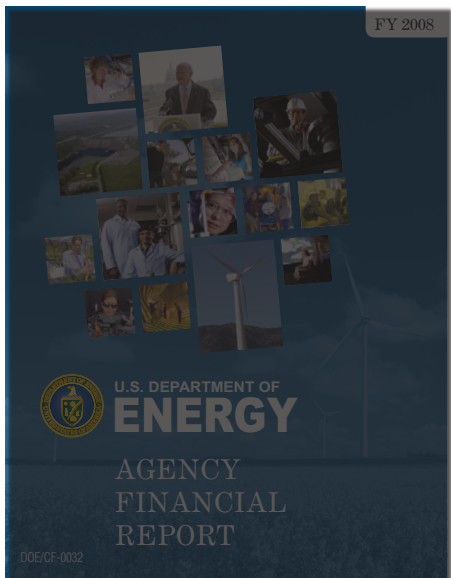
The independent public accounting firm KPMG LLP conducted an audit of the Department's fiscal year 2009 financial statements contained in this report. Based on the results of that audit, I am proud to announce that the Department has received an unqualified audit opinion. Based on our internal evaluations, I can provide reasonable assurance that the financial and performance information contained in this report is complete and reliable and accurately describes the results achieved by the Department.

As Secretary, I assure you that Department of Energy employees take their work seriously, and I applaud their efforts. We have set ambitious goals and stand ready to meet the challenges of today and the future.



Steven Chu  
November 13, 2009





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# MANAGEMENT'S DISCUSSION AND ANALYSIS










## MISSION

*Discovering the solutions to power and secure America's future*

The Department has been operating under a strategic plan that was formulated in 2006. Since the arrival of Secretary Chu at DOE with the new administration during FY 2009, priorities have been shifted to align with President Obama's agenda. The Department is currently working on a new strategic plan and expects to finalize it during calendar year 2010. The following table illustrates the relationship between the 2009 Secretarial Priorities and the 2006 Strategic Plan.



President Obama and Secretary Chu

2009 SECRETARIAL PRIORITIES	2006 STRATEGIC THEMES
 Science, Discovery and Innovation	 Scientific Discovery and Innovation
 Economic Prosperity	 Energy Security
 Clean, Secure Energy	
 National Security	 Nuclear Security
	 Environmental Responsibility
	 Management Excellence



Solar roof at DOE headquarters building in Washington, D.C.

## HISTORY

The Department has one of the richest and most diverse histories in the Federal Government, with its lineage tracing back to the [Manhattan Project](#) and the race to develop the atomic bomb during World War II. Following that war, Congress created the [Atomic Energy Commission](#) in 1946 to oversee the sprawling nuclear scientific and industrial complex supporting the Manhattan



President Harry S. Truman signs the Atomic Energy Act of 1946 establishing the Atomic Energy Commission.

Project and to maintain civilian government control over atomic research and development (R&D). During the early Cold War years, the Commission focused on designing and producing nuclear weapons and developing nuclear reactors for naval propulsion. The creation of the Atomic Energy Commission ended the exclusive government use of the atom and began the growth of the commercial nuclear power industry, with the Commission having authority to regulate the new industry.

In response to changing needs and an extended energy crisis, the Congress passed the Department of Energy Organization Act in 1977, creating the [Department of Energy](#). That legislation brought together for the first time, not only most of the government's energy programs, but also science and technology programs and defense responsibilities that included the design, construction and testing of nuclear weapons. The Department provided the framework for a comprehensive and balanced national energy plan by coordinating and administering the energy functions of the Federal Government. The Department undertook responsibility for long-term, high-risk research and development

of energy technology, Federal power marketing, some energy conservation activities, the nuclear weapons programs, some energy regulatory programs and a central energy data collection and analysis program.

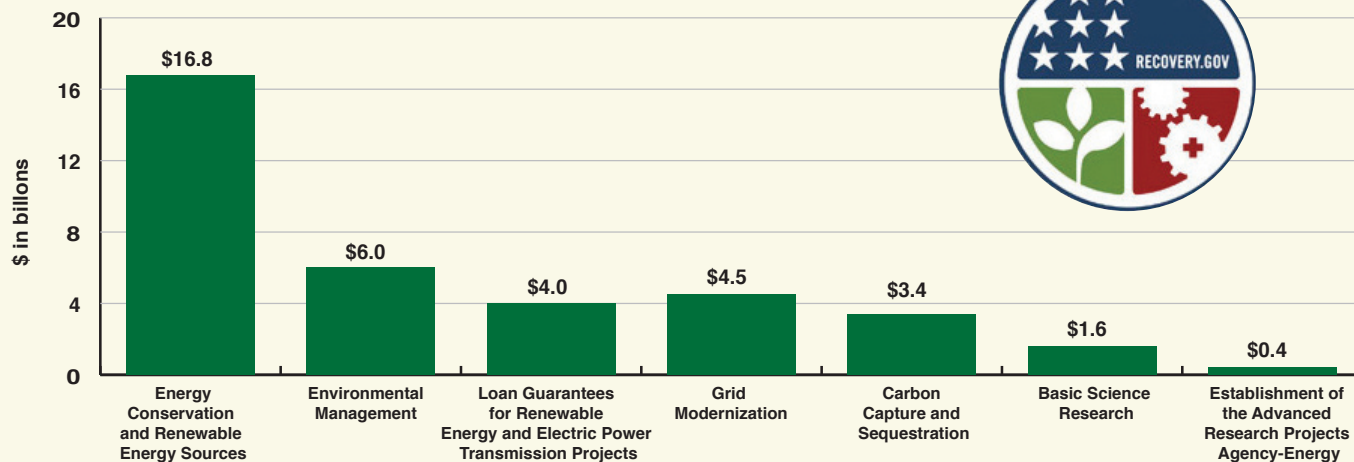
Over its history, the Department has shifted its emphasis and focus as the energy and security needs of the Nation have changed. Recently, on February 17, 2009, the Department was significantly impacted by President Obama signing into law the American Recovery and Reinvestment Act of 2009 (Recovery Act or ARRA). The Recovery Act more than doubled the Department's base budget by providing an additional \$36.7 billion of funding for the acceleration of a number of critical commitments in the Department's mission and activities. These near-term investments have helped jumpstart the economy, save and create jobs, and have served as a down payment on addressing fundamental energy challenges while reducing carbon emissions and U.S. dependence on oil.



President Obama signing American Recovery and Reinvestment Act

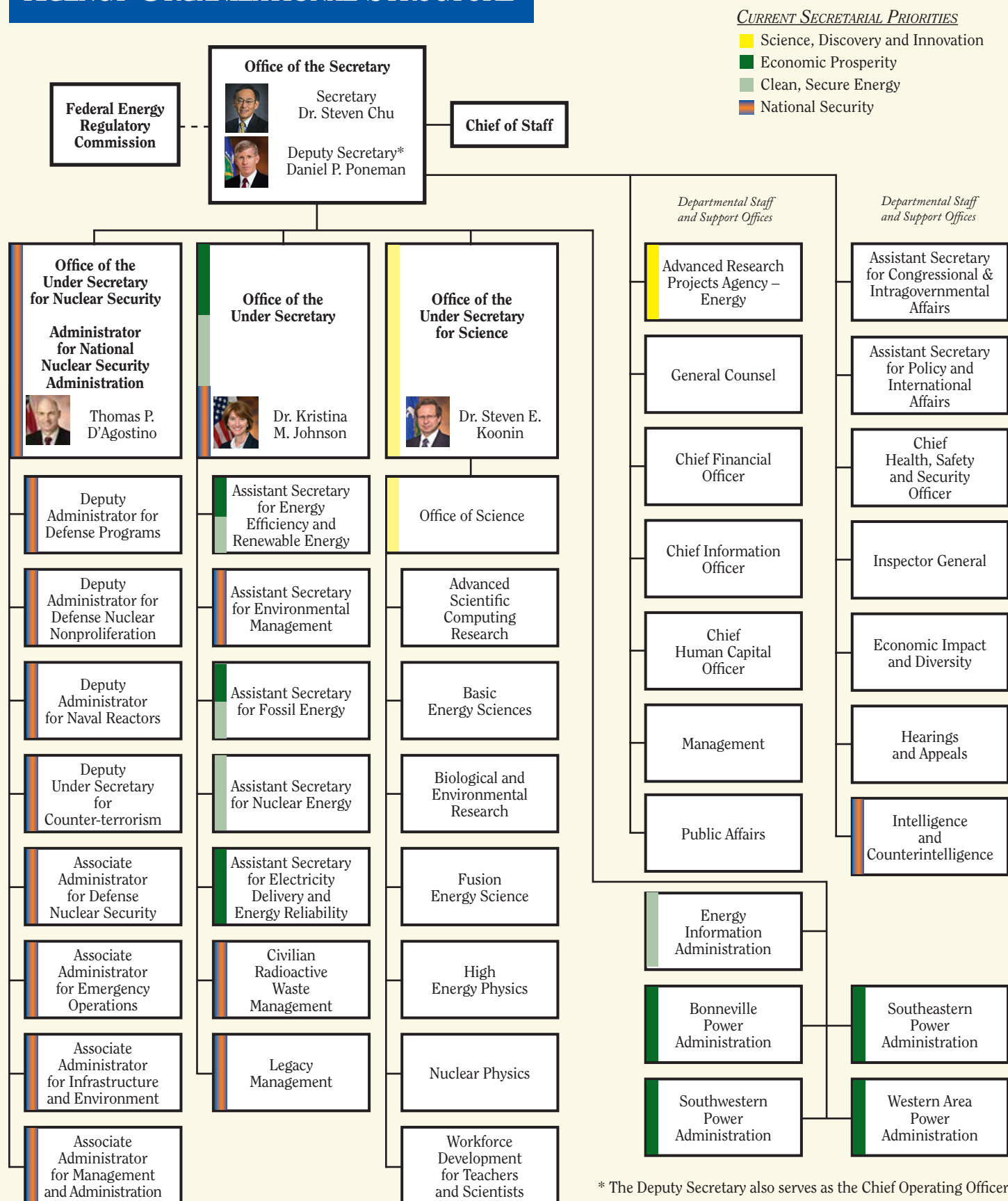
## AMERICAN RECOVERY AND REINVESTMENT ACT

### \$36.7 Billion in Appropriations



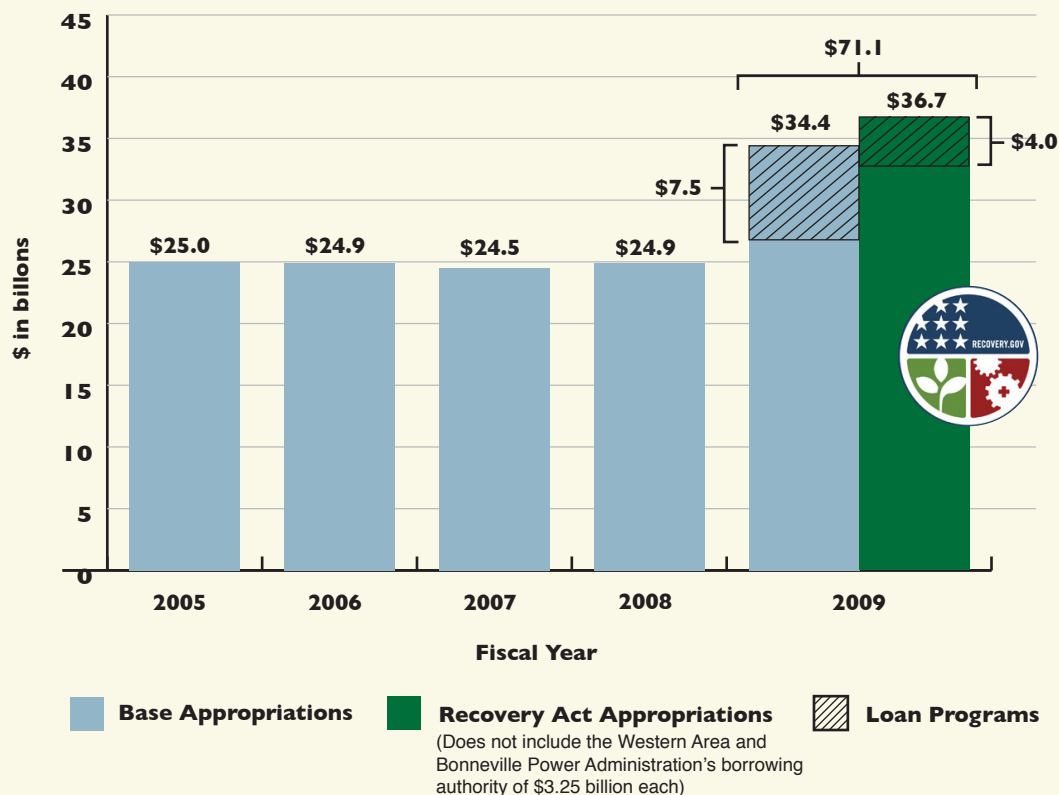


# AGENCY ORGANIZATIONAL STRUCTURE



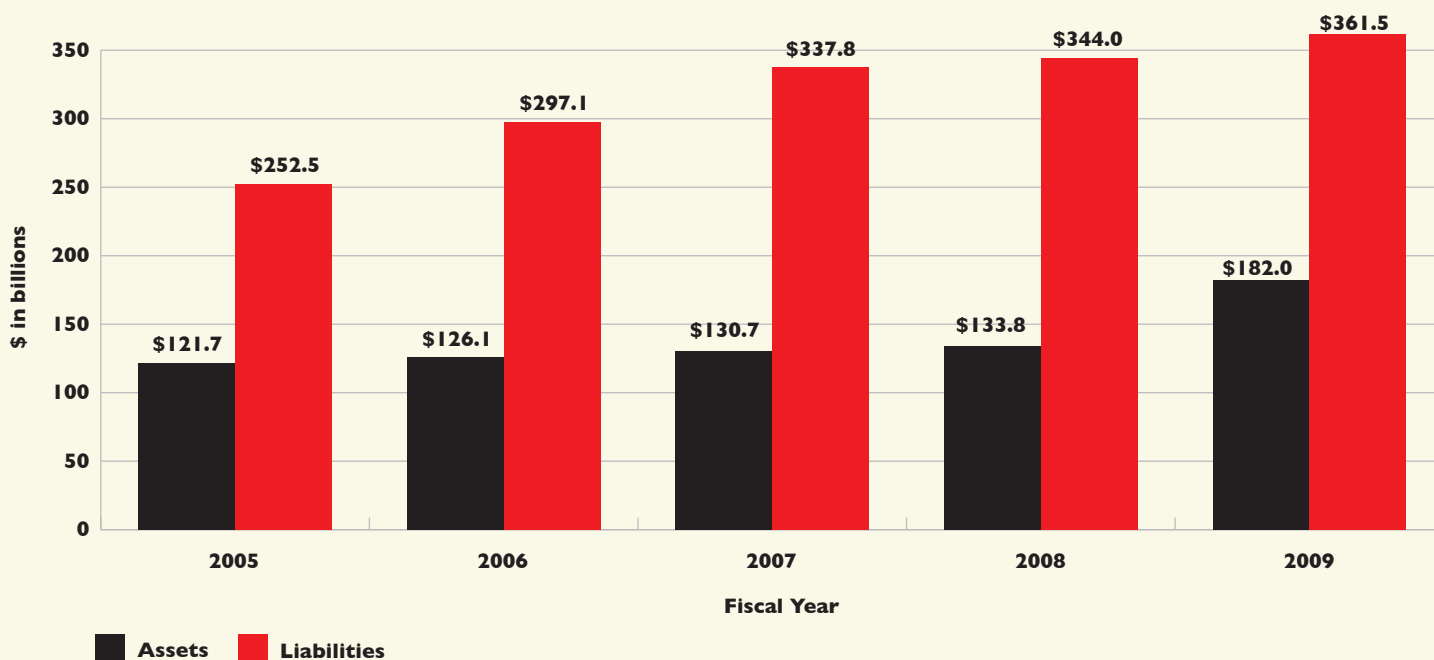
## FINANCIAL RESOURCES

### Adjusted Appropriated Amounts\*



\* Adjustments include appropriation transfers, reductions and appropriations temporarily not available.

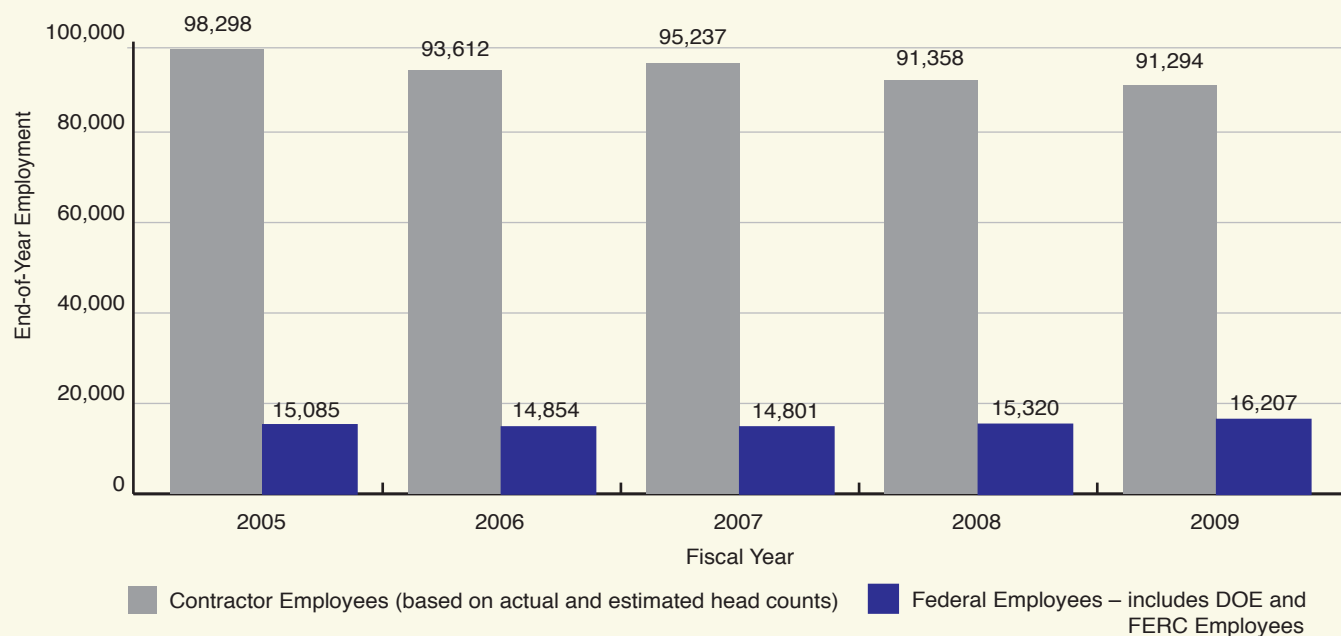
### Assets and Liabilities





## HUMAN CAPITAL RESOURCES

### Federal and Contractor Employees



## FINANCIAL MANAGEMENT REPORT CARD

	Requirement or Initiative	Supporting Indicators
✓	Government Management Reform Act – Financial Statement Audit	— Unqualified Audit Opinion
✓	Federal Managers' Financial Integrity Act – Internal Controls (Section II) Financial Systems (Section IV)	— No Material Weaknesses (Section II) — Financial Systems generally conform to (Section IV) requirements and no FISMA significant deficiencies identified.
✓	OMB Circular A-123, Appendix A	— No Material Weaknesses
✓	Federal Financial Management Improvement Act	— Substantially comply with Federal financial management system requirements.
✓	Federal Information Security Management Act (FISMA)	— Substantially comply with FISMA requirements as evidenced by annual FISMA reporting data.
✓	Improper Payments Information Act	— <1% Erroneous Payment Rate Not considered significant risk per OMB Guidance.

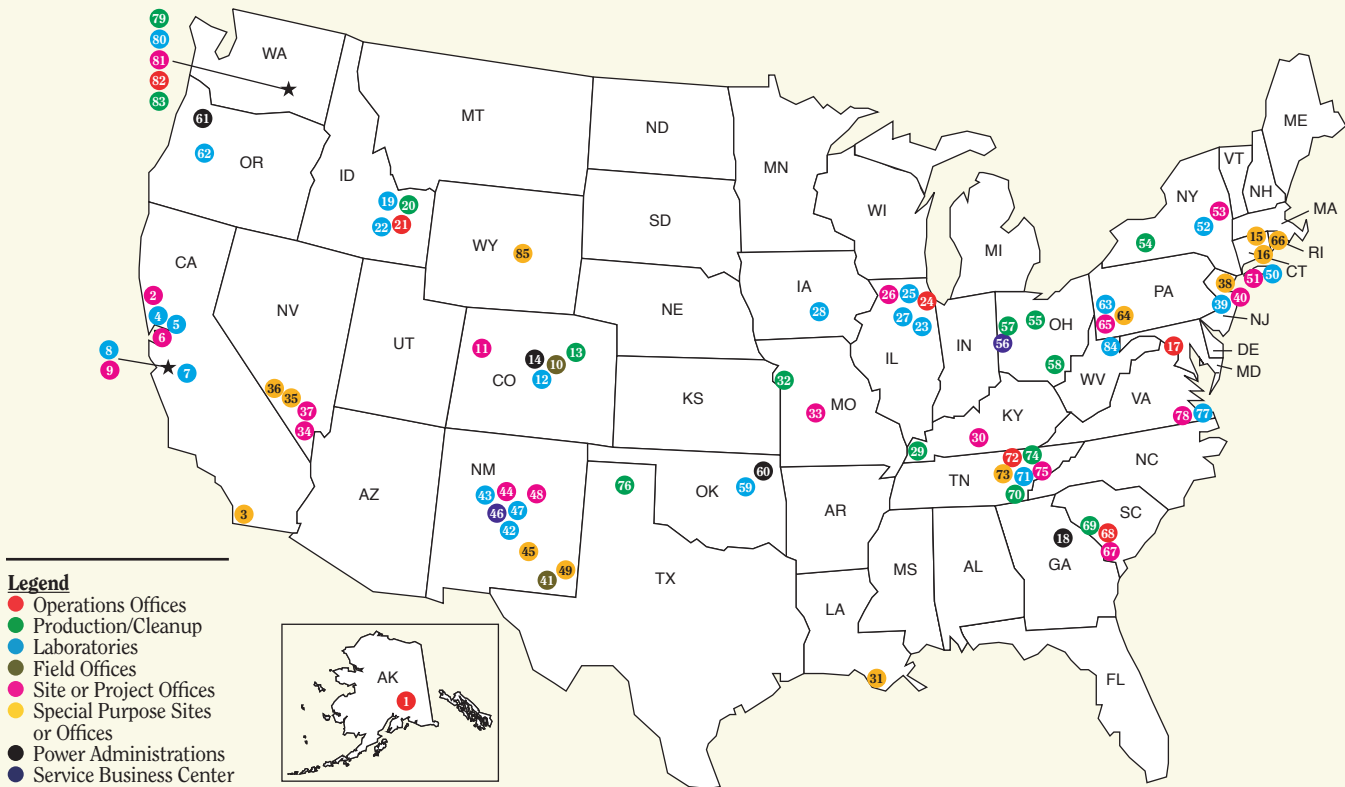
# PERFORMANCE MEASURE SCORECARD

Strategic Theme	Secretarial Priorities	GPRA Unit Performance Goal	FY 2008 Performance Targets		
			Met	Unmet	Unknown
Energy Security	Priority 3	<a href="#">1.1.1 Hydrogen/ Fuel Cell Technologies</a>	8	1	0
		<a href="#">1.1.2 Freedom Car &amp; Vehicle Technologies</a>	5	0	0
		<a href="#">1.1.3 Solar Energy</a>	4	0	0
		<a href="#">1.1.4 Wind Energy</a>	3	1	0
		<a href="#">1.1.5 Geothermal Technology</a>	2	0	0
		<a href="#">1.1.6 Biomass &amp; Biorefinery R&amp;D</a>	5	0	0
	Priority 2	<a href="#">1.1.11 Petroleum Reserves</a>	3	0	0
		<a href="#">1.1.12 Energy Information Administration</a>	3	0	0
	Priority 3	<a href="#">1.2.8 Near-Zero Emissions Coal-Based Electricity &amp; Hydrogen Production</a>	15	1	1
		<a href="#">1.2.14 New Nuclear Generation Technologies</a>	8	0	0
		<a href="#">1.2.15 National Nuclear Infrastructure</a>	2	0	0
		<a href="#">1.3.16 Electricity Delivery &amp; Energy Reliability</a>	5	0	0
	Priority 2	<a href="#">1.3.17 Western Area Power Administration</a>	3	0	0
		<a href="#">1.3.18 Bonneville Power Administration</a>	3	0	0
		<a href="#">1.3.23 Southeastern Power Administration</a>	2	0	0
		<a href="#">1.3.24 Southwestern Power Administration</a>	5	0	0
		<a href="#">1.4.7 DEMP/FEMP</a>	2	0	0
		<a href="#">1.4.19 Industrial Technologies</a>	3	0	0
		<a href="#">1.4.20 Building Technologies</a>	6	0	0
		<a href="#">1.4.21 Weatherization</a>	2	0	0
		<a href="#">1.4.22 State Energy Programs</a>	2	0	0
		<b>Total</b>	<b>91</b>	<b>3</b>	<b>1</b>
Nuclear Security	Priority 4	<a href="#">2.0.25 Office of the Administrator</a>	1	0	0
		<a href="#">2.1.26 Directed Stockpile Work</a>	4	1	0
		<a href="#">2.1.27 Science Campaign</a>	6	0	0
		<a href="#">2.1.28 Engineering Campaign</a>	5	0	0
		<a href="#">2.1.29 Inertial Confinement Fusion Ignition &amp; High Yield Campaign</a>	5	0	0
		<a href="#">2.1.30 Advanced Simulation &amp; Computing Campaign</a>	4	0	0
		<a href="#">2.1.31 Pit Manufacturing &amp; Certification Campaign</a>	3	1	0
		<a href="#">2.1.32 Readiness Campaign</a>	3	0	0
		<a href="#">2.1.33 Readiness in Technical Base &amp; Facilities (Operations)</a>	3	1	0
		<a href="#">2.1.34 Secure Transportation Asset</a>	5	0	0
		<a href="#">2.1.35 Nuclear Weapons Incident Response</a>	1	0	0
		<a href="#">2.1.36 Facilities &amp; Infrastructure Recapitalization Program</a>	4	0	0
		<a href="#">2.1.57 Defense Nuclear Security</a>	2	0	0
		<a href="#">2.1.38 Environmental Projects &amp; Operations</a>	2	0	0
		<a href="#">2.1.58 Cyber Security</a>	2	1	0
		<a href="#">2.2.39 Nonproliferation &amp; Verification R&amp;D</a>	6	0	0
		<a href="#">2.2.40 Elimination of Weapons-Grade Plutonium Production</a>	2	1	0
		<a href="#">2.2.41 Nonproliferation &amp; International Security</a>	5	0	0
		<a href="#">2.2.42 International Nuclear Materials Protection, Control &amp; Cooperation</a>	4	1	0
		<a href="#">2.2.43 Fissile Materials Disposition</a>	2	0	1
		<a href="#">2.2.44 Global Threat Reduction Initiative</a>	5	0	0
		<a href="#">2.3.45 Naval Reactors</a>	5	0	0
		<b>Total</b>	<b>79</b>	<b>6</b>	<b>1</b>
Scientific Discovery and Innovation	Priority 1	<a href="#">3.1/2.46 High Energy Physics</a>	5	0	0
		<a href="#">3.1/2.47 Nuclear Physics</a>	5	0	0
		<a href="#">3.1/2.48 Biological &amp; Environmental Research</a>	6	1	0
		<a href="#">3.1/2.49 Fusion Energy Sciences</a>	3	1	0
		<a href="#">3.1/2.50 Basic Energy Sciences</a>	4	0	0
		<a href="#">3.1/2.51 Advance Scientific Computing Research</a>	2	0	0
		<a href="#">3.3.52 Research Integration</a>	1	0	0
		<b>Total</b>	<b>26</b>	<b>2</b>	<b>0</b>
Environmental Responsibility	Priority 4	<a href="#">4.1.53 Environmental Management</a>	3	3	0
		<a href="#">4.2.54 Nuclear Waste Disposal</a>	2	1	0
		<a href="#">4.2.55 Legacy Management</a>	2	0	0
		<b>Total</b>	<b>7</b>	<b>4</b>	<b>0</b>

Note: This table will be updated with FY 2009 data in February 2010 in DOE's report, *FY 2009 Summary of Performance and Financial Information*. Some of the challenges DOE faced in FY 2009 in meeting performance goals are discussed on pages 8-15.



# MAJOR LABORATORIES AND FIELD FACILITIES



## Alaska

- Arctic Energy Office

## California

- Berkeley Site Office
- Energy Technology Engineering Center
- Lawrence Berkeley National Laboratory
- Lawrence Livermore National Laboratory
- Livermore Site Office
- Sandia National Laboratories
- SLAC National Accelerator Laboratory
- SLAC Site Office

## Colorado

- Golden Field Office
- Grand Junction Office
- National Renewable Energy Laboratory
- Rocky Flats Closure Project
- Western Area Power Administration

## Connecticut

- Northeast Home Heating Oil Reserves

## District of Columbia

- Washington D.C. Headquarters

## Georgia

- Southeastern Power Administration

## Idaho

- Idaho National Laboratory
- Idaho Operations Office
- Radiological Environmental Sciences Laboratory

## Illinois

- Argonne National Laboratory
- Chicago Office
- Fermi National Accelerator Laboratory
- Fermi Site Office
- New Brunswick Laboratory

## Iowa

- Ames Laboratory

## Kentucky

- Paducah Gaseous Diffusion Plant
- Portsmouth/Paducah Project Office

## Louisiana

- Strategic Petroleum Reserve

## Missouri

- Kansas City Plant
- Kansas City Site Office

## Nevada

- Nevada Site Office
- Nevada Test Site
- Yucca Mountain
- Office of Civilian Radioactive Waste Management

## New Jersey

- Northeast Home Heating Oil Reserve
- Princeton Plasma Physics Laboratory
- Princeton Site Office

## New Mexico

- Carlsbad Field Office
- Inhalation Toxicology Research Institute
- Los Alamos National Laboratory
- Los Alamos Site Office
- National Training Center

## NNSA Service Center

- Sandia National Laboratories
- Chicago Office
- Sandia Site Office
- Waste Isolation Pilot Plant

## New York

- Brookhaven National Laboratory
- Brookhaven Site Office
- Knolls Atomic Power Laboratory
- Schenectady Naval Reactors Office
- West Valley Demonstration Project

## Ohio

- Columbus Environmental Management Project
- EM Consolidated Business Center
- Miamisburg Closure Project
- Portsmouth Gaseous Diffusion Plant

## Oklahoma

- National Energy Technology Laboratory – Tulsa
- Southwestern Power Administration

## Oregon

- Bonneville Power Administration
- National Energy Technology Laboratory – Albany

## Pennsylvania

- Bettis Atomic Power Laboratory
- National Energy Technology Laboratory – Pittsburgh
- Naval Reactors Laboratory Field Office

## Rhode Island

- Northeast Home Heating Oil Reserve

## South Carolina

- Savannah River National Laboratory
- Savannah River Operations Office
- Savannah River Site Office

## Tennessee

- East Tennessee Technology Park
- Oak Ridge National Laboratory
- Oak Ridge Site Office
- Office of Scientific and Technical Information
- Y-12 Plant
- Y-12 Site Office

## Texas

- Pantex Plant and Site Office

## Virginia

- Thomas Jefferson National Accelerator Facility
- Thomas Jefferson Site Office

## Washington

- Hanford
- Pacific Northwest National Laboratory
- Pacific Northwest Site Office
- Richland Operations Office
- River Protection Project

## West Virginia

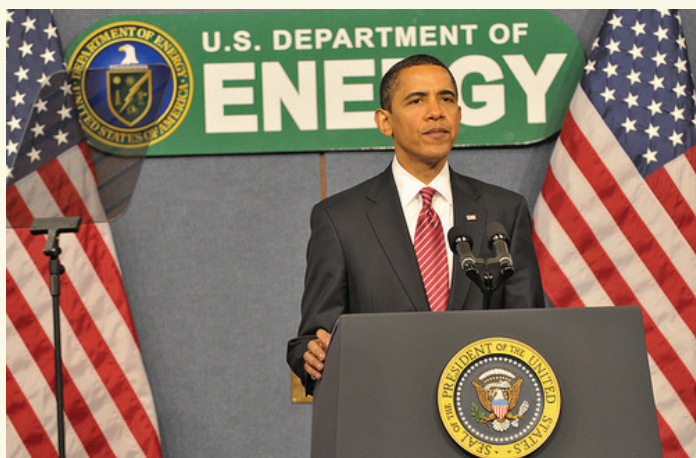
- National Energy Technology Laboratory – Morgantown

## Wyoming

- Naval Petroleum Reserve No. 3 – Casper

## SECRETARIAL PRIORITIES AND PROGRAM PERFORMANCE

The following programmatic discussion is aligned with the Secretary's new priorities and objectives in order to provide a bridge to the future direction of the Department. The new Secretarial priorities include: science, discovery and innovation; economic prosperity; clean, secure energy; and national security. The financial and other related information



President Obama



Secretary Chu and President Obama

presented in this report is structured around the themes and goals of the 2006 strategic plan. Crosswalks are included where possible for linking the new priorities to the 2006 Strategic Plan. The Department's initiatives related to the Recovery Act are also discussed throughout this section.

### PRIORITY 1

#### SCIENCE, DISCOVERY AND INNOVATION

*Invest in science to achieve transformational discoveries*

##### 2009 Secretarial Objectives:

- Organize and focus on breakthrough science
- Develop and nurture science and engineering talent
- Coordinate DOE work across the Department, across the government, and globally
- Provide science and technology inputs needed for global climate negotiations
- Develop and deploy technology solutions domestically and globally
- Advance climate science to better understand the human impact on the global environment

##### Supporting Offices:

[Science](#), [ARPA-E](#)

##### 2006 Strategic Theme/Goal:

Theme 3. Scientific Discovery & Innovation

Goal 1. Scientific Breakthroughs

Goal 2. Foundations of Science

Goal 3. Research Integration



National Synchrotron Light Source II, Brookhaven National Laboratory

The Department's science mission is the delivery of scientific discoveries and major scientific tools to transform our understanding of nature and to advance the energy, economic, and national security of the United States. This mission supports the President's plan to increase Federal investment in

the sciences, train students and researchers in critical fields, invest in areas critical to our clean energy future, and to make the United States a leader on climate change while maintaining a role in international science and energy experiments. The Department supports more than 12,000 Ph.D. scientists who

work in the 17 national labs and more than 25,000 visiting Ph.D.s, graduate students, undergraduates, engineers and technicians.

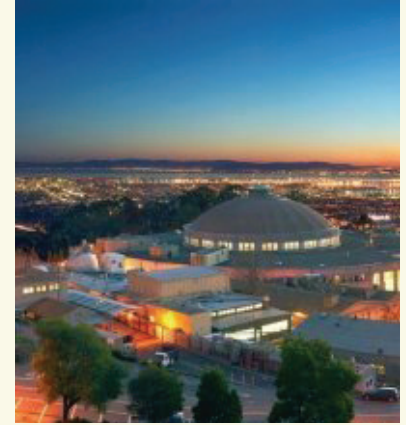
### FY 2009 Initiatives

*Recovery Act Investments* – Recovery Act funding of \$1.6 billion was designated for the Science program. Included in this funding are ongoing construction projects to deliver major scientific user facilities for the nation; investments in existing scientific user facilities, which host more than 24,000 users each year; many important energy-related and basic research investments; support for students and early-career scientists; and investments in national laboratory infrastructure modernization projects. The following is a list of some of the approved projects:

- \$277 million for [Energy Frontier Research Centers](#) at universities and DOE national laboratories across the country. These centers will accelerate the transformational basic science needed to develop plentiful and cost-effective alternative energy sources and pursue advanced research. They integrate the talents and expertise of leading scientists in a setting designed to accelerate research toward meeting our critical energy challenges.
- \$150 million for ongoing construction on the National Synchrotron Light Source-II at Brookhaven National Laboratory in Upton, New York. This new, state-of-the-art high intensity light source is expected to facilitate major breakthroughs in next-generation energy technologies, materials science and biotechnology.
- \$123 million for major construction, modernization, and needed decommissioning of laboratory facilities at Oak Ridge National Laboratory in Oak Ridge, Tennessee; Lawrence Berkeley National Laboratory in Berkeley, California; and Brookhaven National Laboratory in Long Island, NY.
- \$65 million for construction of the 12-Billion Electron Volt Upgrade of the Continuous Electron Beam Accelerator Facility at Thomas Jefferson National Accelerator Facility in Newport News, Virginia. This upgrade will provide an international community of physicists with a cutting-edge facility for studying the basic building blocks of the visible universe.

*Three Bioenergy Research Centers* – Led by Lawrence Berkeley National Laboratory, Oak Ridge National Laboratory, and the University of Wisconsin at Madison in partnership with Michigan State University, these centers support multidisciplinary teams of leading scientists whose goal is to accelerate transformational breakthroughs needed to understand the [conversion of cellulose](#) (plant fibers) to biofuels. A major focus is on understanding how to reengineer

biological processes to develop new, more efficient methods for converting the cellulose in plant material into ethanol or other biofuels that serve as a substitute for gasoline. This research is critical because future biofuels production will require the use of feedstocks more diverse than corn, including cellulosic material like agricultural residues, grasses, poplar trees, inedible plants and non-edible portions of crops.



Lawrence Berkeley National Laboratory

*Revolutionary Technologies* – DOE established a new program, the [Advanced Research Projects Agency-Energy](#), through Recovery Act funding of \$400 million that focuses on high-risk, high-payoff concepts – technologies promising true energy transformation. Projects will advance the goals of promoting energy efficiency, reducing oil consumption and greenhouse gas emissions. Though this program is in its infancy, it has already processed 3,678 concept papers, (with each concept paper receiving at least two reviews during FY 2009) and organized and coordinated 382 merit reviews.

### Challenges

*Solve Grand Energy Challenges* – Advances in scientific understanding in physics, chemistry, biology and supercomputing are needed to lead to next generation breakthrough technologies that will provide the foundation for America's future economic prosperity and energy security. Immediate advances are needed in such areas as solar energy utilization (photovoltaics), advanced biofuels (cellulosic ethanol), electric energy storage (batteries), superconductivity (electrical grid modernization) and geosciences (carbon sequestration).

*Develop Skilled Workforce* – There is a growing need for scientists and engineers in the private and public sectors, including researchers, to operate the national laboratories across the nation. Providing technical and scientific training is vital to ensure that America remains competitive and prosperous.

*Environmental Cleanup* – Advances in understanding the behavior of contaminants in subsurface environments are critical to support long-term environmental stewardship and development of new, science-based remediation strategies.



## PRIORITY 2

### ECONOMIC PROSPERITY

*Drive the revolution to create clean energy jobs and increase competitiveness*

#### 2009 Secretarial Objectives:

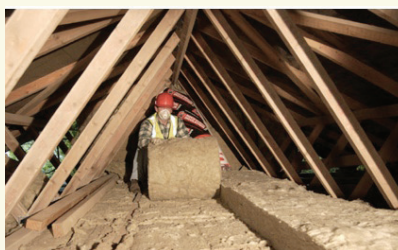
- Save Americans money through efficiency
- Increase clean energy production
- Promote the development of an efficient, “smart” electricity transmission and distribution network
- Enable responsible domestic production of oil and natural gas
- Create a green workforce
- Foster clean energy innovation and entrepreneurship

#### Supporting Offices:

[Energy Efficiency and Renewable Energy](#), [Fossil Energy](#), [Electricity Delivery and Energy Reliability](#), [Nuclear Energy](#), [Energy Information Administration](#), [Power Marketing Administrations](#)

#### 2006 Strategic Theme/Goals:

- Theme 1. Energy Security
  - Goal 1. Energy Diversity
  - Goal 3. Energy Infrastructure
  - Goal 4. Energy Productivity



The Department is working to help communities across the nation become more prosperous by providing the means to produce clean energy infrastructure and use energy more effectively. Through additional funding from the Recovery Act, DOE is providing grants and incentives for efficient energy; promoting the development of an efficient, “smart” electricity transmission and distribution network; and funding the production of low-carbon energy sources, batteries, fuels, and electric transportation infrastructure domestically – programs that will help create and save jobs. It is estimated that Recovery Act funding for DOE will create 400,000 jobs in the U.S. economy. (This data is calculated from Council of Economic Advisors, Estimates of Job Creation from the American Recovery and Reinvestment Act of 2009, May 2009; where \$92,000 of direct government spending creates one job year.)

#### FY 2009 Initiatives

*Recovery Act Investments* – The Recovery Act has provided grants and incentive programs for state, local, tribal and territorial governments to quickly adopt energy efficiency programs, as follows:

- \$5 billion to expand the [Weatherization Assistance Program](#), lowering energy costs for low-income families and creating green jobs across the country.
- \$3.2 billion in Energy Efficiency and Conservation [Block Grant Program](#) to assist states, U.S. territories, Indian tribes, counties and cities develop programs that use less fossil fuel and improve energy efficiency in the transportation and building sectors.

- \$3.1 billion for the [State Energy Program](#) for consumer efficiency upgrades and retrofits, promotion of ENERGY STAR® products, transportation sector fuel efficiency upgrades, and public/private partnerships for the implementation of energy efficiency and renewable energy initiatives.
- \$300 million for the [Clean Cities Alternative Fuel Vehicles Program](#) to support local programs that contribute to the reduction of petroleum consumption, enabling local governments and transit authorities to expand advanced vehicle fleets and fueling infrastructure.
- \$300 million in [appliance rebates](#) to state-run rebate programs for consumer purchases of new ENERGY STAR® qualified home appliances.

*Local Energy Efficiency Programs* – \$450 million in competitive block grants designed to catalyze a nationwide energy upgrade that experts estimate could save \$100 million annually in utility bills for households and businesses. The Recovery Act’s “Retrofit Ramp-Up” program will pioneer innovative models for rolling out energy efficiency to hundreds of thousands of homes and businesses in a variety of communities. It will save consumers billions of dollars on their utility bills and make the huge savings of energy efficiency available to everyone.

*Battery Innovations* – The development of inexpensive and durable [batteries](#) is one of the most important components of building a fleet of hybrid and plug-in hybrid electric vehicles and for renewable energy deployment. DOE has provided \$2 billion in Recovery Act funds to build domestic battery

manufacturing capabilities in order to gain a foothold in the growing world market.

*Automotive Industry Transformation* – Through the Advanced Technology Vehicles Manufacturing Loan program DOE authorized \$8.6 billion in conditional loan commitments for the development of [innovative, advanced technology vehicles](#) that will create thousands of jobs while helping reduce the nation's dependence on foreign oil. The following is a list of the automotive manufacturers and loan amounts that were approved during FY 2009:

- Ford Motor Company – \$5.9 billion to transform factories across Illinois, Kentucky, Michigan, Missouri and Ohio to produce 13 more fuel efficient models.
- Nissan North America, Inc. – \$1.6 billion to retool its Smyrna, Tennessee, factory to build advanced electric automobiles and to build an advanced battery manufacturing facility.
- Tesla Motors – \$465 million to manufacture electric drive trains and electric vehicles in California.
- Fisker Automotive – \$528.7 million for the development of two lines of plug-in hybrids.

*Modernization of the Electrical Grid* – Recovery Act funds of \$4.5 billion were allotted for electricity delivery and energy reliability activities to modernize the [electrical grid](#) which includes demand responsive equipment; enhanced security and reliability of the energy infrastructure; energy storage research, development, demonstration and deployment; facilitation of recovery from disruptions to the energy supply; and implementation of programs authorized under Title XXIII of the Energy Independence and Security Act of 2007. The Recovery Act also provided a combined \$6.5 billion in borrowing authority for construction of transmission lines for renewable energy for the Western Area Power Administration (WAPA) and construction of transmission and other power activities for Bonneville Power Administration (BPA).

*Workforce Development* – The Recovery Act provides \$100 million to support the training of a workforce to support a national, clean-energy smart grid—funds that will help put Americans to work as linemen, installers, and technicians in the electric power industry. Another \$46 million is for state public utility commissions, which regulate and oversee electricity projects in their states, to hire new staff and retrain existing employees to ensure they have the capacity to quickly and effectively review proposed electricity projects.

### Challenges

*Transforming the Electrical Grid* – The nation's ability to meet the growing demand for reliable electricity is challenged by

an aging electricity transmission and distribution system and by vulnerabilities in the U.S. energy supply chain. Despite increasing demand, the United States has experienced a long period of underinvestment in power transmission and infrastructure maintenance. The majority of the power



*Secretary Chu visited Ford Motor's Research and Innovation Center in Michigan to announce conditional loan commitments for the development of innovative, advanced vehicle technologies that will create thousands of green jobs while helping reduce the nation's dangerous dependence on foreign oil*

delivery system was built on technology developed in the 1960s, 70s, and 80s and is limited by the speed with which it can respond to disturbances. This limitation increases the vulnerability of the power system to outages that can spread quickly and have regional effects. Deploying the next generation of clean energy sources will require modernization of U.S. energy infrastructure which will rely on digital network controls and transmission, distribution and storage breakthroughs.

*Implementation of Recovery Act* – The additional funding from the Recovery Act has enabled DOE to help stimulate the economy, create or save jobs and reinvest in America's economic future by laying the groundwork for a robust green economy. Executing this program, however, has proved challenging. Early in the Recovery Act, DOE self-identified issues such as absorption capacity, particularly staffing requirements, as possible impediments to quickly executing Recovery programs. Many of DOE's recipients also needed to stand up the necessary organizational infrastructures to apply for, receive and implement Recovery-funded programs. DOE also had to ensure that all Federal laws are complied with, particularly Bacon-Davis wage standards and NEPA regulations. Meeting such requirements posed challenges to quickly getting funding to the American people.

## PRIORITY 3

### CLEAN, SECURE ENERGY

*Cut the carbon pollution that is changing our climate, while reducing our dependence on oil*

#### 2009 Secretarial Objectives:

- Increase energy efficiency in our homes, businesses, and vehicles
- Move to clean, safe, low-carbon sources of energy
- Discover breakthroughs in energy technologies with game-changing impacts

#### Supporting Offices:

[Energy Efficiency and Renewable Energy](#), [Fossil Energy](#), [Electricity Delivery and Energy Reliability](#), [Nuclear Energy](#), [Energy Information Administration](#), [Power Marketing Administrations](#)

#### 2006 Strategic Theme/Goals:

- Theme 1. Energy Security
  - Goal 1. Energy Diversity
  - Goal 2. Environmental Impacts of Energy



Achieving President Obama's climate change goal of reducing our country's greenhouse gas emissions by 80% from 1990 levels by 2050 necessitates contributions from the full portfolio of available clean energy technologies – from efficiency programs and building technologies that can be deployed in the near-term to long-term investments in new nuclear power and carbon capture and storage. With assistance from Recovery Act funding, DOE is accelerating investments in a variety of renewable sources of electricity generation and deploying technologies to reduce our dependence on oil and decrease energy use in homes, transportation and industry. Investments in energy efficiency projects through grants to states and weatherization assistance have had immediate tangible benefits by reducing energy use and lowering energy bills. Near-zero emissions coal plants and production of methane (natural gas) from gas hydrates will help allow fossil fuels to be used as abundant and low-carbon emitting energy resources in the future. Nuclear energy is a fundamental component of the energy mix as well, and currently supplies about 20% of the nation's electricity.

#### FY 2009 Initiatives

*Recovery Act Investments* – Recovery Act funding is being used to attain the President's clean energy goals:

- \$800 million for biomass projects to achieve cost-competitive [cellulosic ethanol](#) by 2012.
- \$400 million toward enhancing [geothermal](#) systems to prove their technical feasibility by 2015.
- \$42 million toward expanding marketing and manufacturing opportunities to support acceleration of [fuel cell](#) market transformation.

- \$117 million toward cutting edge next-generation clean energy technologies, including high impact [solar photovoltaic](#) (PV) technologies that support the PV supply chain.
- \$93 million to boost [wind](#) technology development and lower capital costs of wind systems.

*Loan Guarantees* – DOE has authority to provide [loan guarantees](#) for renewable energy, energy efficiency and advanced transmission and distribution projects using innovative technology through 2010. Funding comes partly from the Recovery Act and partly from 2009 appropriations. Identified below are some of these projects:

- \$8.5 billion in lending authority supported by 2009 annual appropriations for renewable energy, energy efficiency and advanced transmission and distribution projects using innovative technology.
- \$4 billion in subsidy costs, provided by the Recovery Act, to support billions in loans for renewable energy and electric power transmission projects.
- \$500 million in subsidy costs to support loans for leading edge biofuel projects funded by the Recovery Act.

*Community Solar Outreach* – In Portland, Oregon, it used to take months to get a permit to install a solar power system; now it takes 24 hours, and you can do it online. In New York City, electric utility ConEdison used to prevent solar PV installations, worried about impacts to the city's complex electric grid; now ConEdison is encouraging distributed solar. In New Orleans, Louisiana, over 150 local residents have graduated from Louisiana Clean Tech's solar installer training



course and have the skills to build a stable green career. All of these achievements were made possible by DOE's [Solar America Cities](#) initiative. Following the 25 original awards in 2007 and 2008, DOE announced \$10 million in September 2009 for 40 Solar America Cities special projects that will enable cities to scale up innovative programs and concepts for replication across the United States. In July 2009, DOE published *Solar Powering Your Community: A Guide for Local Governments*, a 150-page resource that contains best practices for local solar policies and programs.

*Carbon Capture and Storage Research* – In September 2009, DOE [announced the award](#) of 11 projects worth \$75.5 million to conduct site characterization of promising geologic formations for carbon dioxide (CO<sub>2</sub>) storage. Funding for the projects includes \$49.75 million from the Recovery Act and will result in substantial employment opportunities for local and regional organizations over the next three years while providing hands-on scientific experience for individuals looking to be employed in the carbon capture and storage (CCS) industry. This work leverages current carbon capture and storage R&D activities, such as the Regional Carbon Sequestration Partnership (RCSP) program.

*CCS Demonstration* – The Recovery Act provides an additional \$3.4 billion for Fossil Energy Research and Development to develop and demonstrate [CCS technology](#), in partnership with industry, and to transition this technology to industry for their deployment and commercialization. In FY 2009, DOE issued a two-part competitive solicitation to advance technology for large-scale CCS from industrial sources, such as chemical plants, refineries, steel and aluminum plants, and manufacturing facilities. These types of facilities currently produce the majority of the CO<sub>2</sub> emissions generated by the industrial sector and have limited experience with CCS technology. Recovery Act funds are being used to expand DOE's existing Clean Coal Power Initiative (CCPI) Round 3 competition, which was already in progress. Increasing the number of competitively selected projects enabled by the Recovery Act will provide a broader CCS commercial-scale experience by expanding CCS technologies, applications, fuels, and geologic CO<sub>2</sub> storage formations; thereby, leading to accelerated CCS deployment.

*Loan Guarantees of Nuclear Power Facilities* – The Department was granted \$18.5 billion in loan guarantee authority by Congress. DOE's Loan Guarantee Program Office received 15 Part II applications for nuclear power facility projects totaling \$93.2 billion in guarantees sought. In April 2009, four applicants were selected for final due diligence and detailed negotiations for Federal loan guarantees.

*Next Generation Nuclear Power* – In September 2009, a Funding Opportunity Announcement was issued making available up to \$40 million to support conceptual design work

for the Next Generation Nuclear Plant (NGNP). NGNP would use new, high temperature, gas-cooled reactor technologies, and could reduce fuel use and improve on the inherent safety of existing commercial light water reactor technology.

*Science Research* – Investments supported under the Climate Change Science Program in global and regional climate modeling, combined with measurement and observational experiments, will improve understanding of global carbon cycling and impacts, inform carbon management strategies and help plan for future energy resource needs.

*Advances in Supercomputing* – The Department is supporting high-impact scientific advances by making the world's most powerful supercomputers located at DOE national laboratories available to researchers. Researchers are currently using supercomputing time for a variety of projects such as helping to make new biofuels commercially viable and to design low-emission engines. Computer models have also helped physicists use radio waves to heat and control ionized fuel in a fusion reactor and have aided engineers in designing materials to recover energy escaping from vehicle tailpipes. Thus, supercomputing will assist in the battle to mitigate climate change.

### Challenges

*Reducing CO<sub>2</sub>* – To achieve the president's stated goal of reducing the country's greenhouse gas emissions by 80% by 2050, carbon dioxide (CO<sub>2</sub>) emissions from today's fleet of coal-fueled electric power plants and industrial sources must be addressed. These sources combined produce about 50% of the nation's CO<sub>2</sub> emissions. Given the high cost and energy required to capture and sequester CO<sub>2</sub> with existing CCS technology, advanced low-cost CCS technology needs to be developed with broad commercial deployment beginning in the 2020 timeframe.

*Nuclear Power Plant Costs* – Licensing and construction costs for building new nuclear power plants are very high. Government support and investments from public and private sources of capital are needed. The DOE Nuclear Power 2010 program and loan guarantees for nuclear power projects are designed to address these challenges.

*Ensuring Adequate Petroleum Inventories* – Assuring that the Strategic Petroleum Reserve's storage configuration and inventory of petroleum products remain responsive to changes in refinery supply patterns and processes and to local, regional, and national emergency demands due to cutoffs, hurricanes or terrorism.

*Partnering with Industry* - The range of energy technologies is very diverse, requiring mastery of an exceptionally wide range of knowledge. The Department is challenged to collaboratively



organize its resources to avoid isolating the expertise needed to solve problems, such as national green house gas emissions that span multiple disciplines. Currently, long R&D timetables and unsteady budget allocations make large scale projects, such as nuclear power and carbon capture and sequestration, difficult to manage and plan. Approaches for benefits tend to be short-sighted and isolated to specific programs, driving

the Department's applied R&D efforts towards incremental outcomes. Additionally, game changing technologies can only be realized through partnerships with the private sector, the success of which depends on market factors outside DOE's control. Consistent R&D funding and better collaboration across programs and with industry is needed to drive transformational solutions.

## PRIORITY 4

### NATIONAL SECURITY

*Maintain nuclear deterrent and prevent proliferation*

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#### 2009 Secretarial Objectives:

- Provide a safe and effective nuclear arsenal without nuclear testing
- Reduce nuclear dangers through nonproliferation and arms control activities
- Provide safe, militarily-effective nuclear propulsion plants to the U.S. Navy
- Complete legacy environmental cleanup

#### Supporting Offices:

[National Nuclear Security Administration](#), [Environmental Management](#), [Legacy Management](#), [Civilian Radioactive Waste Management](#)

#### 2006 Strategic Themes/Goals:

- Theme 2. Nuclear Security
  - Goal 1. Nuclear Deterrent
  - Goal 2. Weapons of Mass Destruction
  - Goal 3. Nuclear Propulsion Plants
- Theme 4. Environmental Responsibility
  - Goal 1. Environmental Cleanup
  - Goal 2. Managing the Legacy



The Department continues its efforts to meet goals for nonproliferation, weapons stewardship, nuclear propulsion and legacy cleanup – leveraging science to promote national security. In an [April 2009 speech in Prague](#), President Obama established goals for the United States to secure all at-risk nuclear materials around the world in four years; establish new nuclear nonproliferation treaties and partnerships to reduce stockpiles and ban testing; and maintain a safe, secure and effective arsenal to deter any adversary.

The Federal government has the responsibility to ensure a clean, safe and healthy environment for future generations. To deliver on the Department's obligations stemming from 50 years of nuclear research and weapons production during the Cold War, the Department continues to focus its resources on those activities that will yield the greatest risk reductions, with safety as the utmost priority. DOE's diverse and technically complex cleanup mission includes: decontaminating and decommissioning (D&D) nuclear facilities, remediating contaminated soil and ground water,

constructing and operating facilities to treat radioactive liquid tank waste, securing and storing nuclear material, and transporting and disposing of transuranic and low-level wastes.

#### FY 2009 Initiatives

*Secured Nuclear Weapons Stockpile* – U.S. [warheads stockpile](#) was certified as safe, secure, reliable and available to the President for deployment. DOE continues to assess and remove aging warheads from the stockpile, thus reducing its total size in the long run.

*World's Largest Laser Facility* – The [National Ignition Facility](#) (NIF) will allow scientists to achieve fusion ignition in the laboratory. The NIF will be a cornerstone of a critical national security mission, ensuring the continuing reliability of the U.S. nuclear stockpile without underground nuclear testing, while also providing a path to explore the frontiers of basic science and potential technologies for energy independence.

*High Performance Computing* – A [supercomputer](#) system was installed, configured and executed through a synthetic workload (which tests the server's highest capacity) in well under three months. These systems are used to simulate the performance, safety and reliability of nuclear weapons and to certify their functionality.

*Nuclear Testing Detection* – Delivered for launch two new space sensor payloads for detecting and reporting nuclear detonations for the next-generation Global Positioning System satellites and developed and delivered enhanced computer models for world-wide monitoring of seismic signals associated with nuclear detonations.

*Secured Nuclear Material* – Monitored the conversion of 30 metric tons of Russian highly enriched uranium from approximately 1,200 weapons to low enriched uranium. Completed Materials Protection Control and Accounting upgrades at a cumulative total of 210 of 229 buildings containing weapons-usable material in Russia and the Baltics. Eliminated over 110 metric tons of surplus U.S. highly enriched uranium (enough for approximately more than 2,000 nuclear weapons) by converting it into low enriched uranium (LEU) for peaceful use as nuclear reactor fuel. Accelerated threat reduction efforts to reduce and protect vulnerable nuclear and radiological material located at civilian sites worldwide, preventing terrorists from acquiring nuclear and radiological materials that could be used in weapons of mass destruction or other acts of terrorism.

*Accelerated Environmental Cleanup* – The Recovery Act provided an additional \$6 billion to accelerate defense and non-defense cleanup work. Most Recovery Act funds were obligated to accelerate planned deactivation and decommissioning and groundwater remediation projects – projects that quickly put thousands of Americans to work and save money by reducing expected lifecycle cost. Some examples of site cleanups are as follows:

- Savannah River Site – Recovery Act funds have accelerated decommissioning of nuclear facilities and contaminated areas throughout the site, including in-situ decommissioning of two nuclear materials production reactors. Work also includes shipping more than 4,500 cubic meters of waste out of South Carolina and will reduce the site's industrial area by 40 percent, or 79,000 acres, by September 2011. Without Recovery Act funds, transuranic waste would be packaged for disposal at the Waste Isolation Pilot Plant (WIPP) by 2016; the schedule was accelerated by five years. The decommissioning of the four nuclear facilities will also be accelerated by at least five years.
- Moab Uranium Mill Tailings Remedial Action Project – Recovery Act funds are being used to accelerate relocation of uranium mill tailings away from the Colorado River, resulting in an additional 2 million tons of mill tailings

disposed by 2011, accelerating the completion of the site cleanup by three years (from 2028 to 2025).

- Oak Ridge National Laboratory (ORNL) – Recovery Act funds are being used for a portfolio of projects that will include demolition and disposition of surplus contaminated facilities and remediation of contaminated soil in order to release valuable real estate for redevelopment for science and technology research. The ORNL investment will create jobs for the existing skilled workforce in eastern Tennessee. In addition, Recovery Act funds will be used to complete legacy material removal and disposition from four buildings at ORNL; these activities were not scheduled to begin until 2017. The soil remediation, waste cleanup and building demolition to be performed under this project will now be complete by 2011.

### Challenges

*Nuclear Deterrent and Nonproliferation* – The keys to success in meeting the President's goal of securing the world's vulnerable nuclear material in four years will be to engage nations around the world to realize opportunities to secure these materials, and to engage our global partners to provide a share of the resources and expertise needed to accomplish this ambitious goal. The challenge at home will be to rebuild the national consensus on the role of the nuclear deterrent in our national security strategy and mobilize the political and financial support to make the sustained long term investments needed to transform the Cold-War nuclear weapons complex to a robust National Security Enterprise.

*High-Risk Cleanup Activities* – DOE continues to move forward and clear hurdles in finalizing design, constructing and operating three unique and complex [tank waste processing](#) plants to treat approximately 88 million gallons of radioactive tank waste for ultimate disposal. With a total cost estimate of \$14.3 billion, investments are still needed to complete building and operating these necessary facilities and process the tank waste, which is one of the primary risk and cost drivers in the program. There is also the challenge of selecting and implementing disposition options needed to prepare certain types of special nuclear materials and spent nuclear fuel for ultimate disposal.

*Spent Nuclear Fuel and High-Level Radioactive Waste* – The termination of the Yucca Mountain project has left the nation without a repository to store spent nuclear fuel and high-level radioactive waste.

*Workforce Needs* – Maintenance, design and development of reactor plants for nuclear-powered submarines and aircraft carriers requires a highly trained engineering work force and industrial base, highly skilled sustainment of core skills, capabilities and supporting infrastructure.

## ANALYSIS OF FINANCIAL STATEMENTS

The Department's financial statements are included in the Financial Results section of this report. Preparing these statements is part of the Department's goal to improve financial management and provide accurate and reliable information that is useful for assessing performance and allocating resources. The Department's management is responsible for the integrity and objectivity of the financial information presented in these financial statements.

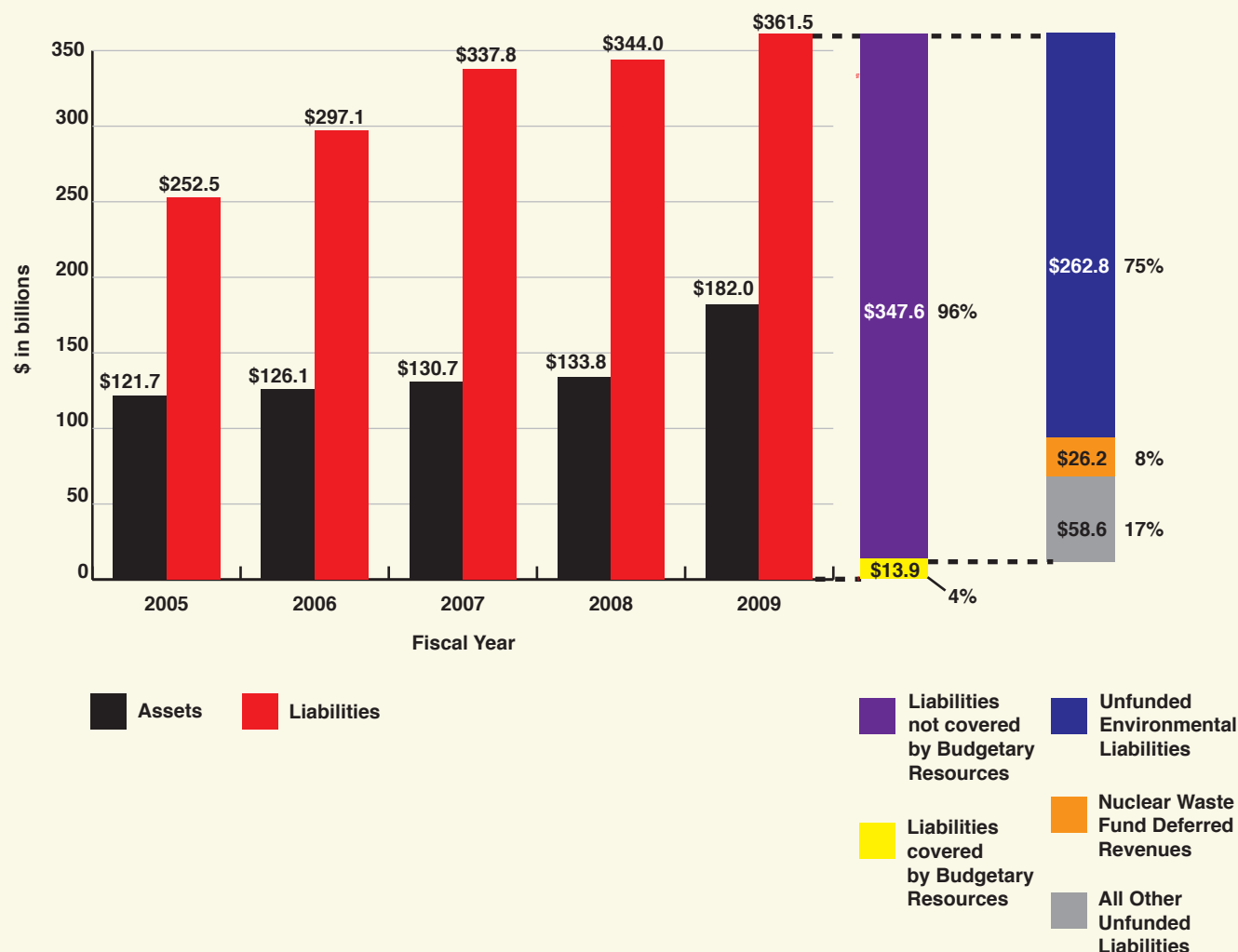
The financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515(b). The statements have been prepared from the Department's books and records in accordance with generally accepted accounting principles prescribed by the Federal Accounting Standards Advisory Board and the formats prescribed by the OMB. The financial statements are prepared in addition to the financial

reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

### Balance Sheet

The Department's assets increased significantly from FY 2008 primarily due to the effects of ARRA funding. Fund Balance with Treasury increased by \$44.5 billion, of which \$35.8 billion represented ARRA appropriations not yet disbursed and an additional \$7 billion was associated with Advance Technology Vehicle Manufacturing (ATVM) loan subsidies. Total liabilities also increased primarily due to a \$12.4 billion increase in contractor pension and post-retirement benefit liabilities as explained more fully on page 19 and 20.

### Total Assets and Liabilities with Breakdown of FY 2009 Liabilities



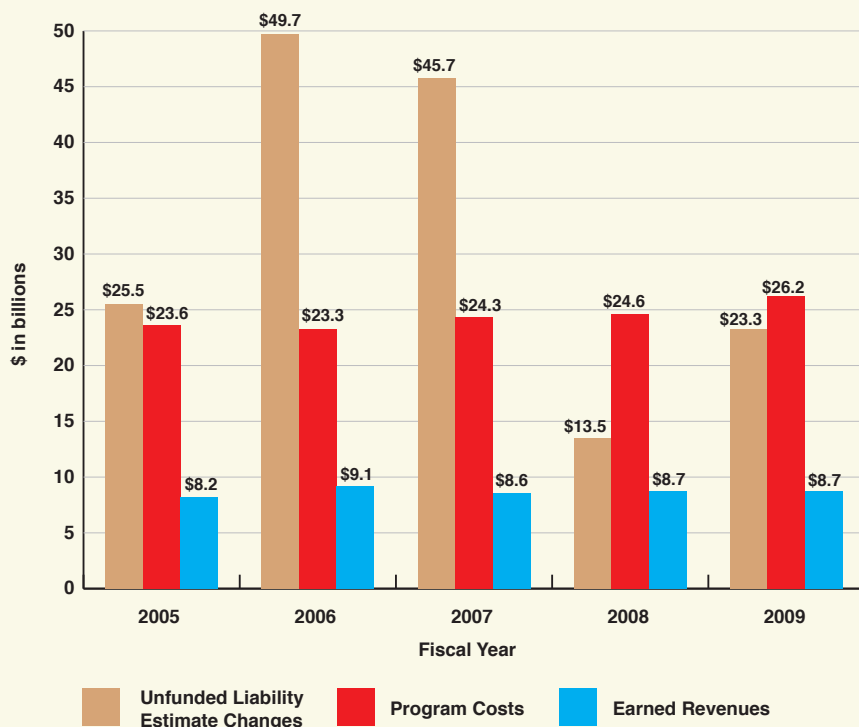


Due primarily to unfunded environmental cleanup requirements, the Department's liabilities exceed the Department's assets (see chart). The Department has significant unfunded liabilities that will require future appropriations to fund. The most significant of these represent ongoing efforts to clean up environmental contamination resulting from past operations of the nuclear weapons complex. The FY 2009 environmental liability estimate totaled \$267.7 billion (\$262.8 is unfunded and \$4.9 is funded) and represents one of the most technically challenging and complex cleanup efforts in the world. The environmental liability estimate is comprised of Environmental Management (EM), Other Legacy Environment and Active and Surplus Facilities components (see chart). Estimating this liability requires making assumptions about future activities and is inherently uncertain. The future course of the Department's environmental cleanup activities will depend on a number of fundamental technical and policy choices, many of which have not been made. The cost and environmental implications of alternative choices can be profound.

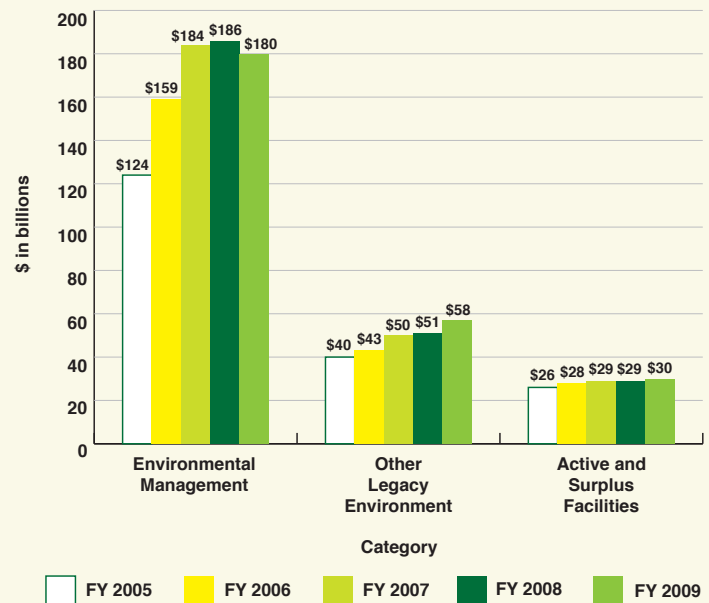
### Net Cost of Operations

The major elements of net cost (see chart) include program costs, unfunded liability estimate changes and earned revenues. The Statement of Net Cost also provides program cost information along the Department's four strategic themes (see chart). Unfunded liability estimate changes

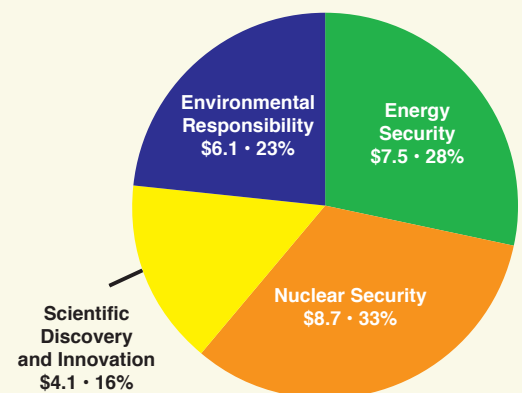
### Major Elements of Net Cost



### Composition of Environmental Cleanup and Disposal Liability



### FY 2009 Program Costs (Gross) Breakdown by Strategic Theme (\$ in billions)



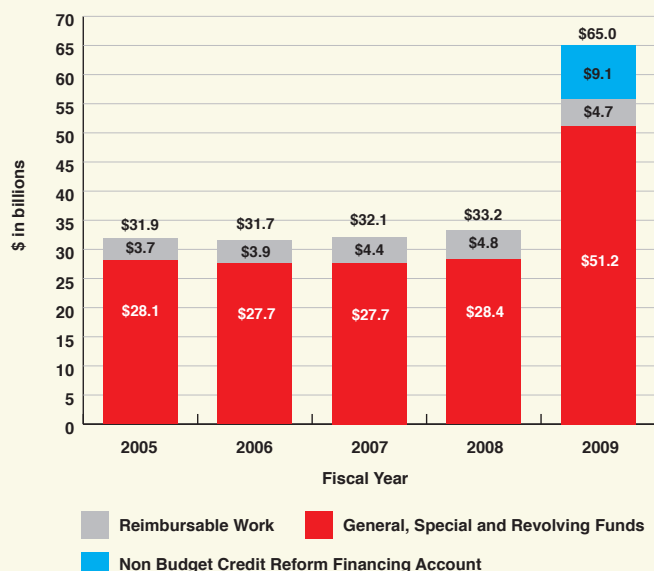
\* A portion of the program costs for the Management Excellence strategic theme is distributed among the other four strategic themes.

**Linking Priorities, Cost and Budget**

2006 Strategic Theme	2009 Secretarial Priorities	2006 Strategic Goals	FY 2009 Budgetary Expenditures Incurred <sup>b</sup> (\$ in billions)	Program Cost <sup>a</sup> (gross \$ in billions)	
				FY 2008	FY 2009
Energy Security	Priority 3	Energy Diversity	\$2.1	\$6.9	\$7.5
	Priority 2				
	Priority 3	Environmental Impacts	\$1.1		
	Priority 2	Energy Infrastructure	\$6.5		
		Energy Productivity	\$0.9		
Nuclear Security	Priority 4	Nuclear Deterrent	\$7.6	\$9.1	\$8.7
		Weapons of Mass Destruction	\$2.1		
		Nuclear Propulsion Plants	\$0.9		
Scientific Discovery and Innovation	Priority 1	Scientific Breakthroughs	\$5.1	\$3.8	\$4.1
		Foundations of Science			
		Research Integration			
Environmental Responsibility	Priority 4	Environmental Cleanup	\$8.0	\$5.6	\$6.1
		Managing the Legacy	\$0.5		

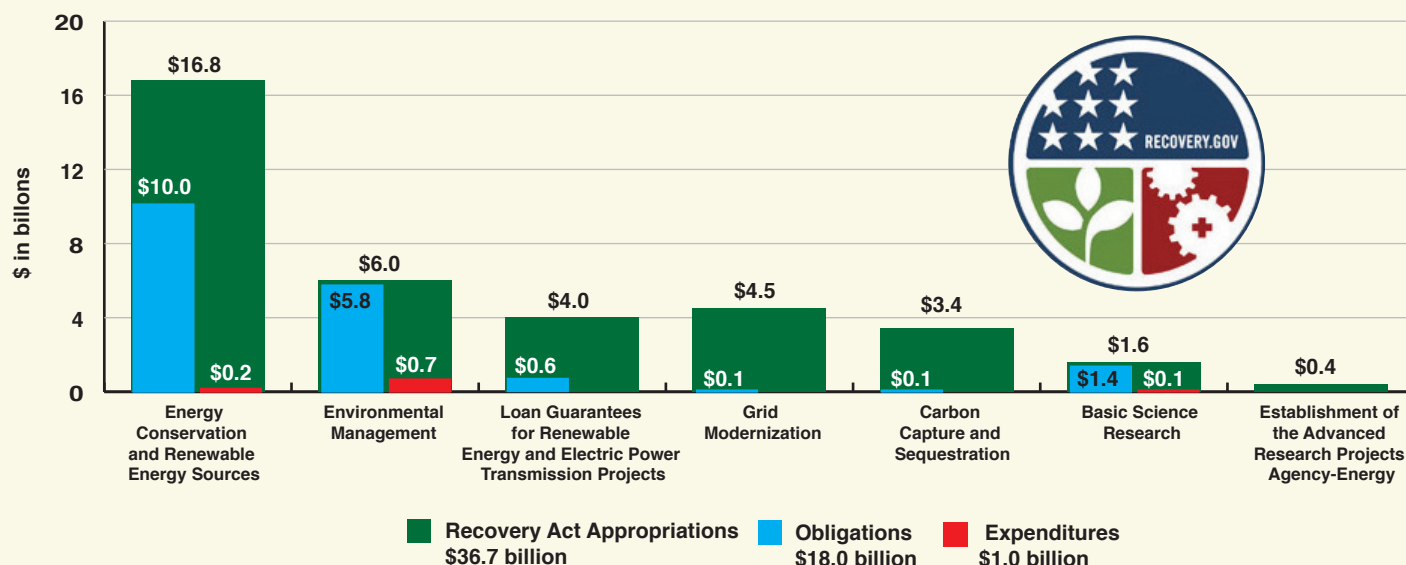
<sup>a</sup>Program Costs (Gross) are taken from the Department Consolidated Statements of Net Cost.

<sup>b</sup>Includes capital expenditures but excludes such items as depreciation, changes in unfunded liability estimates, and certain other non-fund costs and allocations of Departmental Administration activities.

**Obligations Incurred**


result from inflation adjustments; improved and updated estimates; revisions in acquisition strategies, technical approach, or scope; and regulatory changes. The Department's overall net costs are dramatically impacted by these changes in environmental and other unfunded liability estimates. Since these estimates primarily relate to past years of operations, they are not included as current year program costs, but rather reported as "Costs Not Assigned" on the Consolidated Statements of Net Cost. The large dollar amounts for Unfunded Liability Estimate Changes in FY 2006 and 2007 were due primarily to large environmental liability estimate increases during those years. From FY 2008 to 2009, the Unfunded Liability Estimate Changes increased by about \$10 billion due to a \$13 billion increase in Unfunded Pension and Other Actuarial Liabilities and small decreases in other unfunded liabilities totaling about \$3 billion. Program Costs and Earned Revenues have remained relatively stable over the past five year period.

## American Recovery and Reinvestment Act Appropriations, Obligations and Expenditures



### Budgetary Resources

The Combined Statements of Budgetary Resources provide information on the budgetary resources that were made available to the Department for the year and the status of those resources at the end of the FY. The Department receives most of its funding from general government funds administered by the Department of the Treasury (Treasury) and appropriated for Energy's use by Congress. Since budgetary accounting rules and financial accounting rules may recognize certain transactions at different points in time, Appropriations Used on the Consolidated Statements of Changes in Net Position will not match costs for that period. The primary difference results from recognition of costs related to changes in unfunded liability estimates. For FY 2009, budget authority from appropriations and obligations incurred have increased dramatically because of the Recovery Act and the ATVM Loan Program funds that the Department received (see above chart).

### Contractor Pension/Postretirement Benefit Obligations Trend Analysis

A 200 basis point decrease in the discount rate used to estimate contractor employee pension plan obligations for September 30, 2009, compounded the effect of poor asset performance for FY 2009. Consequently, there was a large decline in the total funded status of DOE contractor pension plans from a negative net funded status of \$2.0 billion in

FY 2008 to a negative net funded status of \$12.7 billion in FY 2009 for these plans. Of the \$10.7 billion decline in the total DOE contractor pension plans funded status from FY 2008 to FY 2009, \$8.4 billion was due to the decrease in the discount rate from 7.50 percent on September 30, 2008, to 5.50 percent on September 30, 2009, and \$1.3 billion was due to smaller than expected pension plan asset values based on the contractors' long-term rate of return assumption. The \$9.7 billion impact of these two large changes in the funded status, plus \$0.6 billion for the cost of additional benefits accruing and \$0.4 billion for other net losses during the fiscal year represent the total change of \$10.7 billion.

A similar change in the discount rate used to estimate the obligations of contractor postretirement benefits other than pensions (PRB) caused a decline in the total DOE contractor PRB plans funded status of \$2.9 billion of the total decline of \$2.8 billion from a negative net funded status of \$9.1 billion in FY 2008 to a negative net funded status of \$11.9 billion in FY 2009. In addition, the funded status improved by \$0.1 billion due to other liability decreases during the year (\$0.3 billion improvement attributable to net gains offset by \$0.2 billion decline for the cost of additional benefits accruing).

Prior to the adoption of Statement of Financial Accounting Standards (SFAS) No. 158 (now codified and referenced as FASB ASC 715, Compensation – Retirement Benefits) as of September 30, 2007, changes in the estimated pension

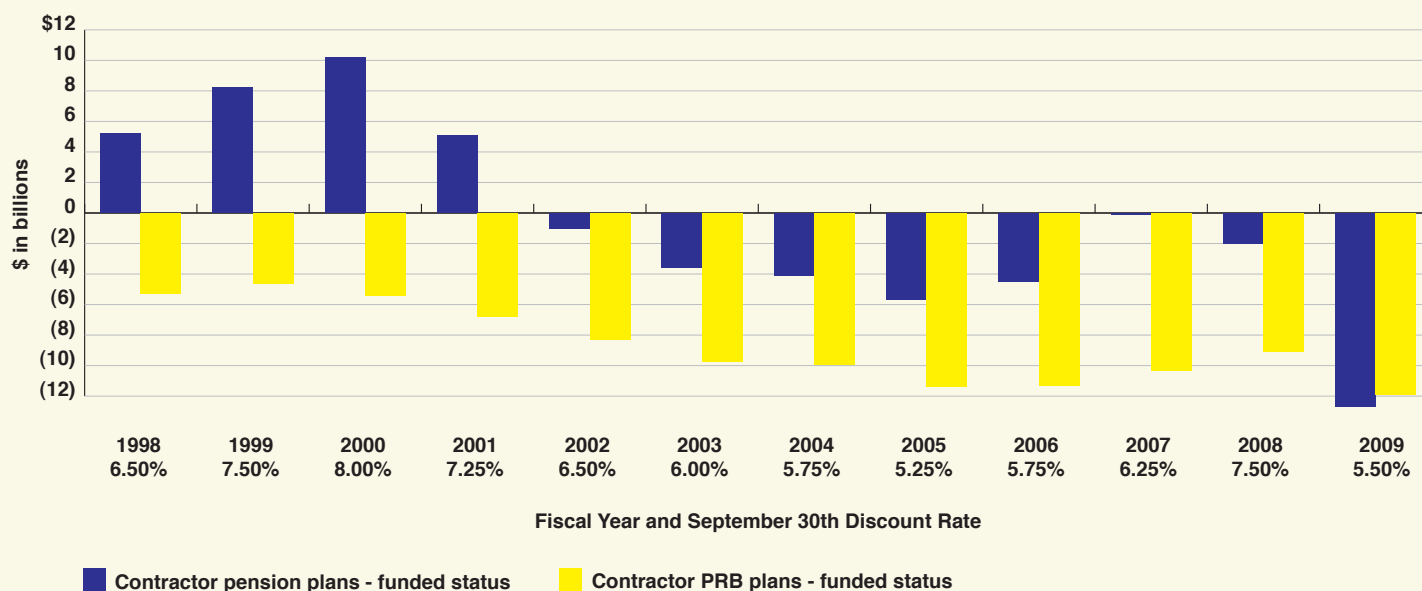


## Management Initiatives and Assurances

and PRB plan benefit obligations were generally amortized over an extended time period and, therefore, did not result in an immediate change in obligations recorded by the Department. However, under the new requirements established in FY 2007 the funded status of the plans is now

fully reflected in the assets and liabilities recorded by the Department. The chart below shows the total net funded status for contractor employee pension and PRB plans and the year-end discount rate from FY 1998 to FY 2009.

### Contractor Pension/Postretirement Benefit Obligations Trend Analysis



## ANALYSIS OF SYSTEMS, CONTROLS AND LEGAL COMPLIANCE

### Management Assurances

The Department's management is responsible for establishing and maintaining an effective system of internal controls to meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). To support management's responsibilities, the Department is required to perform an evaluation of management and financial system internal controls as required by Sections II and IV, respectively, of FMFIA, OMB Circular A-123, Management's Responsibility for Internal Control, and internal controls over financial reporting as required by Appendix A of the Circular. The following assurances are made based on the results of these evaluations, which are reflected in reports and representations completed by senior accountable managers within the Department.

The Department has completed its evaluation of management and financial system internal controls. Based on that assessment, the Department can provide reasonable assurance that management internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations, as of September 30, 2009, were operating effectively with no material weaknesses found in their design or operation. Evaluation results also indicated that the Department's financial systems generally conform to governmental financial system requirements and substantially comply with requirements of the Federal Financial Management Improvement Act (FFMIA).

In addition, the Department has completed its FY 2009 assessment and evaluation of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, as required by Appendix A of OMB Circular A-123 and Departmental requirements. The evaluation included an assessment of both entity and process controls, as required. Based on the results of the evaluation, the Department is providing reasonable assurance that internal controls over financial reporting as of June 30, 2009, were working effectively and no material weaknesses were identified in the design or operation of the specific controls over financial reporting evaluated.

The Department is responsible for establishing and maintaining adequate internal control (including safeguarding of assets and compliance with applicable laws and regulations) over all the Department's American Recovery and Reinvestment Act (ARRA) funding. Controls have been established to ensure that the following critical objectives are met: ARRA funding has been expended for the intended purposes and in accordance with internal and external guidance; reported results regarding the expenditures of funds and the outcomes achieved are accurate and verifiable; and key processes impacting the execution of ARRA funding have been evaluated and are deemed effective.

While the Department has no material weaknesses to report as a result of the above internal control evaluations, the Department is continuing its work to address nine Leadership Challenges. These Leadership Challenges represent the most important strategic management issues facing the Department in accomplishing its mission now and in the coming years.



*Steven Chu*

Steven Chu  
November 13, 2009

### Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act (FMFIA) of 1982 requires that agencies establish internal controls and financial systems to provide reasonable assurance that the integrity of Federal programs and operations is protected. Furthermore, it requires that the head of the agency provide an annual assurance statement on whether the agency has met this requirement and whether any material weaknesses exist.

In response to the FMFIA, the Department developed an internal control program which holds managers accountable for the performance, productivity, operations and integrity of their programs through the use of internal controls. Annually, senior managers at the Department are responsible for evaluating the adequacy of the internal controls surrounding their activities and determining whether they conform to the principles and standards established by the OMB and the Government Accountability Office (GAO). The results of these evaluations and other senior management information are used to determine whether there are any internal control problems to be reported as material weaknesses. The Departmental Internal Control and Audit Review Council, the organization responsible for oversight of the Internal Control Program, makes the final assessment and decision for the Department.

The Department's evaluation for FY 2009 identified no material weaknesses in the design or operation of its management and financial system internal controls.

### OMB Circular A-123, Appendix A

Internal control requirements for publicly traded companies contained in the Sarbanes-Oxley Act of 2002 paved the way for the Federal Government to also strengthen its internal control requirements. The issuance of Appendix A of OMB Circular A-123 provides specific requirements to agencies for conducting management's assessment of internal control over financial reporting. The Department's evaluation for FY 2009 did not identify any material weaknesses as of, or subsequent to, June 30, 2009.

### Federal Financial Management Improvement Act

The Federal Financial Management Improvement Act (FFMIA) of 1996 was designed to improve Federal financial management and reporting by requiring that financial management systems comply substantially with three requirements: (1) Federal financial management system requirements; (2) applicable Federal accounting standards; and (3) the United States

Government Standard General Ledger at the transaction level. Furthermore, the Act requires independent auditors to report on agency compliance with the three stated requirements as part of financial statement audit reports.

The Department has evaluated its financial management systems and has determined that they substantially comply with Federal financial management systems requirements, applicable Federal accounting standards and the U.S. Government Standard General Ledger at the transaction level.

### American Recovery and Reinvestment Act

The Recovery Act was signed into law to jumpstart our economy, create or save millions of jobs, and put a down payment on addressing long-neglected challenges so our country can thrive in the 21st century. The Recovery Act is an extraordinary response to a crisis unlike any since the Great Depression, and includes measures to modernize our Nation's infrastructure, enhance energy independence, expand educational opportunities, preserve and improve affordable health care, provide tax relief and protect those in greatest need.

The Department has established and maintained adequate internal controls to ensure that: (1) Recovery Act funding has been expended for the intended purposes and in accordance with internal and external guidance; (2) reported results regarding the expenditure of Recovery Act funds and the outcomes achieved are accurate and verifiable; and (3) key processes impacting the execution of Recovery Act funding have been evaluated and are deemed effective.

### Leadership Challenges

The Department carries out multiple complex and highly diverse missions. Although the Department is continually striving to improve the efficiency and effectiveness of its programs and operations, there are some specific areas that merit a higher level of focus and attention. These areas oftentimes require long-term strategies for ensuring stable operations and represent the most daunting Leadership Challenges the Department faces in accomplishing its mission.

The Reports Consolidation Act of 2000 requires that, annually, the Inspector General (IG) prepare a statement summarizing what he considers to be the most serious management and performance challenges facing the Department. These challenges are included in the Other Accompanying Information section of this report. Similarly, in FY 2003 the GAO identified six major management challenges and program risks to be addressed by the Department.

The Department, after considering all critical activities within the agency and those areas identified by the IG and GAO, has identified nine Leadership Challenges that represent the most important strategic management issues facing the Department now and in

the coming years.

### Contract and Project Administration

**Key Challenges:** The Department has been directed by Congress to take corrective action to be removed from the GAO High Risk List for inadequate contract and project oversight and management. DOE has been on this GAO list since its inception in 1990. The Department will need the support of GAO, OMB and the Department's senior leadership to enact the requisite cultural and policy changes.

**Departmental Initiatives:** The Department completed a comprehensive Root Cause Analysis of contract and project management deficiencies in April 2008 and approved a Corrective Action Plan (CAP) in July 2008. The measures of CAP address root cause deficiencies by providing solutions and demonstrable results. To strengthen front-end planning, the Department has implemented Project Definition Rating Index and Technology Readiness Assessment Tools. The Department has also developed a staffing model based on Naval Facilities Command and the U.S. Army Corps of Engineers (Corps) best practices, and adopted a policy requiring that projects costing \$50 million or less be fully funded by FY 2013.

Implementation of CAP corrective actions will continue in FY 2010. During this time, the Department will:

- Enact a staffing model (algorithm and guide) identifying the approximate types and number of Federal staff necessary for appropriate project oversight during planning and execution phases.
- Develop and deploy a user-friendly replacement Project Assessment and Rating System (PARS) that provides transparent, consistent, and quality project performance data (including contractor Earned Value Management System data) to all levels of field and Headquarters.
- Implement a corporate contract and project management lessons learned system.
- Issue a revision to the Department's project management directive, DOE Order 413.3A.

Corrective measures will be monitored, measured and reported quarterly to senior Departmental, OMB and GAO leadership. In addition, the Department will report CAP status and progress to the House and Senate Appropriations Committees in the annual budget request.

### Acquisition Process Management

**Key Challenges:** The Department is the largest civilian contracting agency in the Federal government and spends approximately 83 percent of its contract obligations to Management and Operating (M&O) and other major site contractors. The Department has been challenged both externally and internally to improve the efficiency and efficacy



of the procurement process. Most recently, a July 2009 report by the National Academy of Public Administration identified systemic areas where improvements could be made to facilitate DOE's acquisition processes. In addition, the DOE IG identified contract management as a management challenge and issued two additional reports on the Department's acquisition workforce. Through internal assessments, the Department determined that it needed to improve the quality of both its procurement systems across the DOE complex and the production of its procurement transactions. Initiatives to mitigate or eliminate these vulnerabilities should be implemented by FY 2010.

**Departmental Initiatives:** In the last two FY, significant progress has been made in addressing this DOE Leadership Challenge. The majority of previous recommendations for corrective measures have been completed. Nonetheless, the Office of Procurement and Assistance Management (OPAM) will, for FY 2010:

- Implement its concept of operations for the Source Evaluation Board Secretariat Function and further mature its source selection knowledge management initiatives.
- Establish its future schedule for the Procurement Management Review program.
- Work with EM to develop an aggressive portfolio of initiatives that will further re-engineer the competitive contracting process.

With a focus on acquisition planning and proposal evaluations, and strengthening field contracting operational effectiveness, OPAM will continue to support government-wide initiatives aimed at building and strengthening the acquisition workforce.

### Security

**Key Challenges:** The Department works to ensure the security of national assets entrusted to DOE while minimizing impact to productivity and achievement of the Department's mission objectives.

**Departmental Initiatives:** In FY 2009, program and staff offices continued to validate the basis of Departmental safeguards and security measures. Where necessary, requirements were amended to ensure that the revised requirements supported the Department's overall mission objectives. The requirements were also revised to ensure that they were performance-based, meaningful, clear and concise without being overly prescriptive or redundant. The Department also continued to reduce the overall security footprint and meet the Graded Security Protection (GSP) Policy. This was achieved by:

- Consolidating and improving special nuclear material storage facilities.

- Eliminating or releasing for general use facilities that previously required safeguarding.
- Restructuring security management systems.
- Deploying security technologies and implementing the elite protective force model where needed.
- Modifying contractual incentives and performance metrics for contractor partners to enhance the Department's overall effectiveness.

In FY 2010, the Department will ensure security of national assets entrusted to DOE while minimizing impact to productivity and achievement of the Department's mission objectives by continuing the following initiatives:

- Develop an approach for security requirements that maximizes the use of national standards while ensuring that requirements are performance-based, meaningful, clear and concise without being overly prescriptive or redundant.
- Streamline the access authorization process and implement other efficiencies while continuing to institute Homeland Security Presidential Directive 12 for physical and logical access controls.
- Continue implementing the requirements of the GSP Policy by updating risk acceptance and vulnerability assessment processes, deploying cost-effective security technologies in coordination with implementing the elite protective force model where appropriate and consolidating and improving nuclear material storage facilities.
- Maintain levels of security expertise throughout the Department by providing security training and professional development programs through the National Training Center.
- Foster improvements to security performance by clarifying roles and responsibilities for Federal and contractor line management.
- Continue the level of effective safeguards and security self-assessment, independent oversight and enforcement programs to maintain stakeholder and public confidence.

### Environmental Management

**Key Challenges :** Within the Department, EM's mission is to cleanup the environmental legacy of nuclear weapons production and nuclear energy research. Fifty years of conducting these activities produced unique hazards and requires complex technical solutions that can be applied within a large suite of environmental regulations.

Also, compliance agreements are used in part to establish the scope of work to be performed at a given site, as well as the dates by which the cleanup milestones must be achieved. In some cases, milestones were developed that pre-judged characterization results. As a consequence, these milestones did not result in cost-effective cleanup or risk reduction strategies. Since its inception, it has become evident that a cleanup prioritization focusing solely on achieving compliance

milestones does not achieve the greatest risk reductions and cleanup progress in a cost-effective manner.

In addition to being responsible for the cleanup of the legacy of the Manhattan Project and the Cold War, EM assumes the responsibility of new projects brought into the program. The Department has a backlog of excess facilities, materials, and wastes requiring cleanup. EM will need to integrate the remediation and disposition of these environmental liabilities into its existing programs.

**Departmental Initiatives:** In FY 2010, the Department will continue its environmental cleanup mission with the following ongoing initiatives:

- Specific cleanup actions can be re-sequenced to reduce risk more quickly; therefore, EM has been reviewing its cleanup agreements with regulators to identify actions that can reduce costs and accelerate risk reduction.
- To specifically address project and contract management performance, the DOE developed a Corporate Implementation Plan (CIP) as a roadmap to address contract and project management challenges in pursuit of its Best-in-Class goal. CIP will continue in FY 2010, and pending its complete implementation, CIP will produce the following benefits: increased Federal ownership of cleanup projects; standardization of processes; clear communication of requirements and policy; timely and effective change control for both project management and contract management; and the identification and institutionalization of best practices across the complex.
- More than three hundred surplus facilities, materials, and wastes have been identified as excess by other DOE organizations because they are no longer needed for the missions of those respective programs. Through its formal review process, EM has evaluated these excess assets for acceptance into EM and will bring many of them into the program. These excess assets, however, will transfer into EM only when funding becomes available to address them.

### Nuclear Waste Disposal

**Key Challenges:** DOE's Office of Civilian Radioactive Waste Management (OCRWM) is directed by the amended Nuclear Waste Policy Act of 1982 (NWPAct) to manage and dispose of the nation's commercial and defense high-level waste and spent nuclear fuel in a manner that protects public health, safety and the environment.

The NWPAct authorizes the Secretary to enter into contracts with commercial nuclear utilities and commercial research reactor operators that own and generate spent nuclear fuel. In return for the 1 mill per kilowatt-hour fee payment by utilities into the Nuclear Waste Fund, the government was to

begin disposing of their spent nuclear fuel starting in 1998. As of October 2009, 72 lawsuits have been filed by utilities to recover damages resulting from the delay. The Department of Justice has been able to settle 11 of the lawsuits. To date, approximately \$567 million in claims have been paid under these settlements with contract holders continuing to submit annual claims for additional costs. Additional annual payments will be made until the government "catches up" with its spent fuel acceptance obligations. OCRWM reviews the claims and provides recommendations for approval to the Department of Justice. OCRWM continues to be the lead government witness for the remaining unsettled cases being tried and continues to manage the Nuclear Waste Fund with a balance of approximately \$23 billion.

In addition, the Department's FY 2010 budget request announced the Administration's intended termination of the Yucca Mountain repository project and included funding to explore alternatives for nuclear waste disposal. The Department remains committed to meeting its obligations to manage and ultimately dispose of spent nuclear fuel and high-level radioactive waste.

**Departmental Initiatives:** The Secretary is convening a Blue Ribbon Commission of experts to evaluate alternative approaches to meet the Federal government's responsibility.

### Stockpile Stewardship

**Key Challenges:** The goal of the Department's Stockpile Stewardship Program is to sustain the safety and effectiveness of the nation's nuclear arsenal without returning to the use of nuclear testing. Since its inception in 1993, the stewardship endeavor has accomplished its intended purpose — but it now faces multiple challenges.

As the nation's nuclear weapons arsenal continues to age, so does the Department's critical research and production infrastructure, much of which consists of remnant facilities from the Cold War era. Furthermore, the composition and functional alignment of the workforce has become problematic. The enterprise's ability to attract, retain, exercise, and invigorate the critical technical skills necessary to ensure agile responses to future national or international events has also been impacted. These conditions have created unique scientific and tactical challenges that must be overcome. Overcoming these challenges will support the ability of the Secretary, jointly with the Secretary of Defense, to annually certify to the President the status of nuclear weapons in the stockpile. It will also enable them to provide credible advice on whether underground nuclear tests need to resume.

**Departmental Initiatives:** Stewardship of the nation's nuclear weapons stockpile is one of the most complex, scientifically

technical programs undertaken. DOE needs to ensure that all aspects of this mission-critical responsibility will be fulfilled. The success of stockpile stewardship activities is dependent upon unprecedented scientific and engineering tools. These tools will better enable NNSA to understand the changes that occur as nuclear weapons age. NNSA will also then be better able to enhance the surveillance assessments of existing weapons and extend weapon life spans when necessary. The “NNSA Defense Programs Strategic Framework,” in concert with other high level strategic plans, outlines paths to be followed by the Stockpile Stewardship activities and sets forth priorities and strategies to address the most critical challenges including:

- Ensuring a safe, secure and effective nuclear weapons stockpile as directed by our national leadership.
- Correctly sizing and evolving the nuclear security enterprise to effectively and efficiently meet current and future mission requirements.
- Sustaining the critical scientific, technological, and engineering capabilities (both human capital and technical facilities) necessary for our nation’s nuclear security.

### Cyber Security

**Key Challenges:** DOE is dealing with cyber attacks that are increasing in their level of complexity, frequency and aggression. Although DOE has implemented defense-in-depth mechanisms based on industry and government best practices, some of the more sophisticated attacks have been able to penetrate DOE networks and computers. The types of cyber attacks continue to evolve to avoid detection by DOE defenses. The DOE comprehensive cyber security program faces the ongoing challenge of employing the best available management practices and technical defenses to ensure adequate protection of its systems and data in the face of increasing threats.

**Departmental Initiatives:** Long-term and continuous corrective action is required to effectively manage the evolving nature of cyber security threats. To work towards sustaining and improving its cyber security program, the Department will, in FY 2010:

- Update its strategic plan.
- Develop a cyber security architecture framework.
- Enhance DOE’s enterprise-wide incident reporting capabilities.
- Update training and awareness programs to address new threats and defensive measures.

### Human Capital Management

**Key Challenges:** The Department requires a highly technical and specialized workforce to accomplish its scientific and

technological missions. A competitive labor environment and the rising rates of retirement intensify the ongoing challenge to maintain a capable workforce with the proper knowledge, skills and competencies.

**Departmental Initiatives:** The Department is continuing a number of initiatives and implementing several new strategies in FY 2010 to enhance its competitive position with respect to workforce issues. In accordance with recruitment and outreach strategy, the Department will:

- Launch new Web 2.0 initiatives in early FY 2010 to enhance recruitment capabilities, marketing and outreach of the agency by introducing the latest interactive internet technologies into the Department’s online web presence.
- Expand the DOE Scholars, Future Leaders and Career Intern programs.
- Continue a first-of-its-kind Student Ambassadors Program pilot to expand awareness about the DOE mission on college campuses.

The Department has also set aggressive milestones for FY 2010 to:

- Improve the hiring process.
- Enhance the HR Information Technology Systems.
- Draft a new Human Capital Strategic Plan.
- Provide timely and effective policies, guidance and accountability oversight.

Furthermore, DOE continues to partner with other Federal agencies to increase recruitment and hiring flexibilities, and to inform hiring managers on innovative ways to fill mission critical and other hard-to-fill jobs. In addition, the Department is implementing a comprehensive enterprise talent management system to ensure a competent workforce through a more integrated approach to employee development.

### Safety and Health

**Key Challenges:** DOE works to maintain the safety and health of its workers and the public, while striving to enhance productivity and achieve its mission objectives.

**Departmental Initiatives:** In FY 2009, Departmental elements continued to integrate 10 C.F.R. 851, Worker Health and Safety requirements into all facets of work planning and execution, including work conducted under the American Recovery and Reinvestment Act. This has been accomplished through leadership, worker and stakeholder engagement, and organizational learning. The Department has continued to implement an aggressive safety and health outreach program to establish and strengthen lines of communication, seek feedback and resolve areas of interest and concern. This program includes conducting focus group meetings led by

the Office of Health, Safety and Security with participation from program offices, worker trade unions, professional associations, and other stakeholders. The Department has also strengthened safety oversight of capital projects to ensure that quality assurance and safety requirements are properly implemented in project development and throughout construction.

In FY 2010, the Department will maintain the safety and health of its workers and the public, while striving to enhance productivity and achieve its mission objectives by continuing the following initiatives:

- Develop a safety requirements approach that maximizes the use of national standards while ensuring DOE requirements are performance-based, meaningful, clear and concise without being overly prescriptive or redundant.
- Strengthen Department safety-related programs, e.g., DOE Voluntary Protection Program and 10 C.F.R. 851, Worker Health and Safety, through corporate assistance and awareness activities.

- Maintain levels of safety and health expertise throughout the Department by providing safety training and professional development programs through the National Training Center.
- Foster improvements to safety performance by clarifying roles and responsibilities for Federal and contractor line management.
- Continue the conduct of effective safety and health self-assessment, independent oversight, and enforcement programs to maintain stakeholder and public confidence.

It is the Department's goal that the strategies to address these areas will also help mitigate related IG and GAO management challenges. To highlight how the Department's strategies for mitigating its Leadership Challenges align with the IG and GAO challenge areas, the following table provides a crosswalk of the relationship between the three. Please note that the IG and GAO did identify areas that are not currently reported as Leadership Challenges by the Department. While the ongoing importance of those areas is recognized and they continue to receive appropriate management attention, management does not consider them to be Leadership Challenges.

DOE Leadership Challenges	IG Challenge Areas FY 2009	GAO Challenge Areas
Contract and Project Administration <b>S</b> Acquisition Process Management <b>S</b>	Contract Administration <b>S</b>	Resolve problems in contract management that place the agency at high risk for fraud, waste and abuse <b>S</b>
Security <b>D</b>	Safeguards and Security <b>D</b>	Address security threats and problems <b>D</b>
Environmental Cleanup <b>D</b> Nuclear Waste Disposal <b>D</b>	Environmental Cleanup <b>D</b>	Improve management for cleanup of radioactive and hazardous wastes <b>D</b>
Stockpile Stewardship <b>D</b>	Stockpile Stewardship <b>D</b>	Improve management of the Nation's nuclear weapons stockpile <b>D</b>
Cyber Security <b>S</b>	Cyber Security <b>S</b>	
	Energy Supply <b>D</b>	Enhance leadership in meeting the Nation's energy needs <b>D</b>
Human Capital Management <b>S</b>	Human Capital Management <b>S</b>	
Safety & Health <b>S</b>		
	Recovery Act Implementation <b>S</b>	
		Revitalize infrastructure <b>S</b>

**D** Mission Direct **S** Mission Support



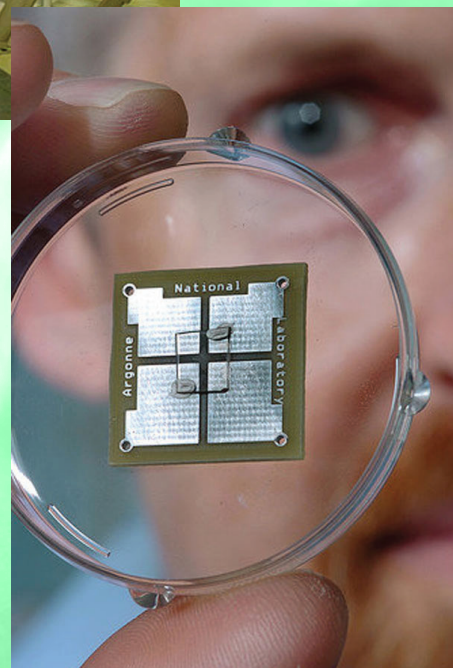
# FINANCIAL RESULTS



*Fermi National Laboratory*



*Deputy Secretary Daniel Poneman in the NIF facility,  
Lawrence Livermore National Laboratory*



*Argonne National Laboratory*



## MESSAGE FROM THE CHIEF FINANCIAL OFFICER



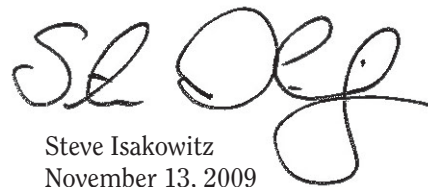
Though challenging, fiscal year 2009 has been an exciting time at the Department, especially within the financial management community. President Obama named energy as one of his three priorities and supported this by awarding the Department nearly \$37 billion in American Recovery and Reinvestment Act (Recovery Act) funding. Allocating these funds and tracking program performance is one of my leading initiatives, including those for high-risk, high-reward research and development projects; loans for new, clean energy producers; and government-backed loans to manufacturers that develop more energy efficient vehicles.

Critical to the Department's ability to manage and account for the Recovery Act funds are rigorous control and oversight processes, and we have taken significant steps to ensure that funds are spent for the intended purposes. The Department's most senior managers signed acknowledgements prior to any distribution of Recovery Act funds that uphold their commitment to maintain a strong internal control environment. We have developed robust oversight strategies for Recovery Act implementation, such as upfront risk assessments and increasing outreach, training and coordination Department-wide. The Department also initiated a performance metrics improvement review of all budget and recovery measures to improve overall transparency and accountability within our program offices. The financial community has also worked diligently to align financial systems to accept data, perform analysis and track the execution of Recovery Act funds.

My role as the Chief Financial Officer continues to evolve, and the demand to provide informed analysis to our customers has increased. Instrumental to meeting these needs is iManage – the Department's integrated, corporate financial and business system. It supports the Department's strategic vision and mission. Central to accessing iManage is our iPortal which provides users with decision making capabilities and networking tools. In addition, heavy emphasis was placed on the iPortal in fiscal year 2009 as the Department's single point of contact for internal information supporting the Recovery Act.

The Department's fiscal year 2009 financial statements were reviewed by independent auditors, and I am pleased to report that our continued commitment has sustained the best audit report possible – a clean, unqualified opinion – for the third consecutive year. Furthermore, the auditors reported that no material weaknesses in internal controls were identified by the audit. The Department completed an evaluation of its financial management system and found it to be in general conformance with governmental financial system requirements and identified no material nonconformances. The Department and the entire senior leadership team recognize the value of accurate and timely financial information for decision making, and the financial management community can be proud of this accomplishment.

I look forward to and welcome feedback from the readers of this report as we continue to look for opportunities to improve the way we communicate the financial and performance results of the Department. Thank you.

  
Steve Isakowitz  
November 13, 2009

## INTRODUCTION TO PRINCIPAL STATEMENTS

The Department's financial statements have been prepared to report the financial position and results of operations of the Department of Energy, pursuant to the requirements of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, and the OMB Circular A-136, *"Financial Reporting Requirements."*

The responsibility for the integrity of the financial information included in these statements rests with the management of the Department. The audit of the Department's principal financial statements was performed by an independent certified public accounting firm selected by the Department's IG. The auditors' report issued by the independent certified public accounting firm is included in this report.

The following provides a brief description of the nature of each required financial statement.

### Consolidated Balance Sheets

The Consolidated Balance Sheets describe the assets, liabilities and net position components of the Department.

### Consolidated Statements of Net Cost

The Consolidated Statements of Net Cost summarize the Department's operating costs by the strategic themes and goals identified in the Department's September 30, 2006, Strategic Plan. All operating costs reported reflect full costs, including all direct and indirect costs, consumed by a program or responsibility segment. The full costs are reduced by earned revenues to arrive at net costs.

### Consolidated Statements of Changes in Net Position

The Consolidated Statements of Changes in Net Position identify appropriated funds used as a financing source for goods, services or capital acquisitions. This statement presents the accounting events that caused changes in the net position section of the Consolidated Balance Sheets from the beginning to the end of the reporting period.

### Combined Statements of Budgetary Resources

The Combined Statements of Budgetary Resources identify the Department's budget authority. Budget authority is the authority that Federal law gives to agencies to incur financial obligations that will eventually result in outlays or expenditures. Specific forms of budget authority that the Department receives are appropriations, borrowing authority, contract authority and spending authority from offsetting collections. The Combined Statements of Budgetary Resources provide information on budgetary resources available to the Department during the year and the status of those resources at the end of the year. Detail on the amounts shown in the Combined Statements of Budgetary Resources is included in the Required Supplementary Information section on the schedule Budgetary Resources by Major Account.

### Consolidated Statements of Custodial Activities

The Consolidated Statements of Custodial Activities identify revenues collected by the Department on behalf of others. These revenues primarily result from power marketing administrations that sell power generated by hydroelectric facilities owned by the Corps and the Bureau of Reclamation.

## PRINCIPAL STATEMENTS

### U.S. Department of Energy Consolidated Balance Sheets

As of September 30, 2009 and 2008

(\$ in millions)	FY 2009	FY 2008
<b>ASSETS:</b> <sup>(Note 2)</sup>		
Intragovernmental Assets:		
Fund Balance with Treasury <sup>(Note 3)</sup>	\$ 63,671	\$ 19,231
Investments, Net <sup>(Note 4)</sup>	29,421	27,604
Accounts Receivable, Net <sup>(Note 5)</sup>	543	526
Regulatory Assets <sup>(Note 6)</sup>	5,489	5,425
Other Assets	56	6
Total Intragovernmental Assets	\$ 99,180	\$ 52,792
Investments, Net <sup>(Note 4)</sup>	195	196
Accounts Receivable, Net <sup>(Note 5)</sup>	3,941	3,977
Direct Loan and Loan Guarantees, Net <sup>(Note 7)</sup>	437	41
Inventory, Net: <sup>(Note 8)</sup>		
Strategic Petroleum and Northeast Home Heating Oil Reserve	21,626	20,484
Nuclear Materials	20,459	21,024
Other Inventory	500	478
General Property, Plant, and Equipment, Net <sup>(Note 9)</sup>	27,654	25,054
Regulatory Assets <sup>(Note 6)</sup>	4,746	5,151
Other Non-Intragovernmental Assets <sup>(Note 10)</sup>	3,256	4,625
Total Assets	<u>\$ 181,994</u>	<u>\$ 133,822</u>
<b>LIABILITIES:</b> <sup>(Note 11)</sup>		
Intragovernmental Liabilities:		
Accounts Payable	\$ 62	\$ 76
Debt <sup>(Note 12)</sup>	12,708	11,526
Deferred Revenues and Other Credits <sup>(Note 13)</sup>	31	37
Other Liabilities <sup>(Note 14)</sup>	236	243
Total Intragovernmental Liabilities	\$ 13,037	\$ 11,882
Accounts Payable	4,088	3,901
Debt Held by the Public <sup>(Note 12)</sup>	6,166	6,267
Deferred Revenues and Other Credits <sup>(Note 13)</sup>	27,456	25,830
Environmental Cleanup and Disposal Liabilities <sup>(Note 15)</sup>	267,657	266,081
Pension and Other Actuarial Liabilities <sup>(Note 16)</sup>	24,744	12,362
Obligations Under Capital Leases <sup>(Note 17)</sup>	568	479
Other Non-Intragovernmental Liabilities <sup>(Note 14)</sup>	4,606	4,773
Contingencies and Commitments <sup>(Note 18)</sup>	13,222	12,388
Total Liabilities	\$ 361,544	\$ 343,963
<b>NET POSITION:</b>		
Unexpended Appropriations:		
Unexpended Appropriations - Earmarked Funds <sup>(Note 19)</sup>	\$ 20	\$ 13
Unexpended Appropriations - Other Funds	55,387	11,106
Cumulative Results of Operations:		
Cumulative Results of Operations - Earmarked Funds <sup>(Note 19)</sup>	(4,688)	(5,638)
Cumulative Results of Operations - Other Funds	(230,269)	(215,622)
Total Net Position	<u>\$ (179,550)</u>	<u>\$ (210,141)</u>
Total Liabilities and Net Position	<u>\$ 181,994</u>	<u>\$ 133,822</u>

The accompanying notes are an integral part of these statements.



**U.S. Department of Energy Consolidated Statements of Net Cost**

For the Years Ended September 30, 2009 and 2008

(\$ in millions)	FY 2009	FY 2008
<b>STRATEGIC THEMES:</b>		
<b>Energy Security:</b>		
Energy Diversity:		
Program Costs	\$ 1,470	\$ 1,293
Less: Earned Revenues (Note 20)	(18)	(16)
Net Cost of Energy Diversity	1,452	1,277
Environmental Impacts of Energy:		
Program Costs	1,249	1,167
Less: Earned Revenues (Note 20)	(79)	(51)
Net Cost of Environmental Impacts of Energy	1,170	1,116
Energy Infrastructure:		
Program Costs	4,047	4,042
Less: Earned Revenues (Note 20)	(3,727)	(4,089)
Net Cost of Energy Infrastructure	320	(47)
Energy Productivity Program Costs	714	415
Net Cost of Energy Security	3,656	2,761
<b>Nuclear Security:</b>		
Nuclear Deterrent		
Program Costs	6,198	6,700
Less: Earned Revenues (Note 20)	(1)	(2)
Net Cost of Nuclear Deterrent	6,197	6,698
Weapons of Mass Destruction Program Costs	1,750	1,625
Nuclear Propulsion Plants:		
Program Costs	808	798
Less: Earned Revenues (Note 20)	(14)	(16)
Net Cost of Nuclear Propulsion Plants	794	782
Net Cost of Nuclear Security	8,741	9,105
<b>Scientific Discovery and Innovation:</b>		
Net Cost of Scientific Discovery and Innovation	4,050	3,791
<b>Environmental Responsibility:</b>		
Environmental Cleanup:		
Program Costs	5,772	5,026
Less: Earned Revenues (Note 20)	(183)	(198)
Net Cost of Environmental Cleanup	5,589	4,828
Managing the Legacy		
Program Costs	371	612
Less: Earned Revenues (Note 20)	(193)	(217)
Net Cost of Managing the Legacy	178	395
Net Cost of Environmental Responsibility	5,767	5,223
Net Cost of Strategic Themes	22,214	20,880
<b>OTHER PROGRAMS:</b>		
Reimbursable Programs:		
Program Costs	4,228	3,871
Less: Earned Revenues (Note 20)	(4,111)	(3,861)
Net Cost of Reimbursable Programs	117	10
Other Programs: (Note 21)		
Program Costs	1,173	604
Less: Earned Revenues (Note 20)	(324)	(294)
Net Cost of Other Programs	849	310
Costs Applied to Reduction of Legacy Environmental Liabilities (Notes 15 and 22)	(5,639)	(5,313)
Costs Not Assigned (Note 23)	23,264	13,464
Net Cost of Operations (Note 24)	\$ 40,805	\$ 29,351

The accompanying notes are an integral part of these statements.

**U.S. Department of Energy Consolidated Statements of Changes in Net Position**

For the Years Ended September 30, 2009 and 2008

(\$ in millions)	FY 2009			
	Earmarked Funds (Note 19)	All Other Funds	Eliminations	Consolidated
<b>CUMULATIVE RESULTS OF OPERATIONS:</b>				
Beginning Balances	\$ (5,638)	\$ (215,622)	\$ -	\$ (221,260)
Budgetary Financing Sources:				
Appropriations Used	\$ 13	\$ 25,741	\$ -	\$ 25,754
Non-Exchange Revenue	22	53	-	75
Donations and Forfeitures of Cash	-	15	-	15
Transfers - In/(Out) Without Reimbursement	(179)	(61)	-	(240)
Other Financing Sources (Non-Exchange):				
Donations and Forfeitures of Cash	59	-	-	59
Transfers - In/(Out) Without Reimbursement (Note 24)	(49)	142	-	93
Imputed Financing from Costs Absorbed by Others (Note 24)	2	1,300	-	1,302
Other	518	33	(501)	50
Total Financing Sources	\$ 386	\$ 27,223	\$ (501)	\$ 27,108
Net Cost of Operations	564	(41,870)	501	(40,805)
Net Change	\$ 950	\$ (14,647)	\$ -	\$ (13,697)
Total Cumulative Results of Operations	\$ (4,688)	\$ (230,269)	\$ -	\$ (234,957)
<b>UNEXPENDED APPROPRIATIONS:</b>				
Beginning Balances	\$ 13	\$ 11,106	\$ -	\$ 11,119
Budgetary Financing Sources:				
Appropriations Received (Note 25)	\$ 20	\$ 72,020	\$ -	\$ 72,040
Appropriations Transferred - In/(Out)	-	(1,998)	-	(1,998)
Appropriations Used	(13)	(25,741)	-	(25,754)
Total Budgetary Financing Sources	\$ 7	\$ 44,281	\$ -	\$ 44,288
Total Unexpended Appropriations	\$ 20	\$ 55,387	\$ -	\$ 55,407
Net Position	\$ (4,668)	\$ (174,882)	\$ -	\$ (179,550)

	FY 2008							
<b>CUMULATIVE RESULTS OF OPERATIONS:</b>								
Beginning Balances	\$	(6,590)	\$	(211,225)	\$	-	\$	(217,815)
Budgetary Financing Sources:								
Appropriations Used	\$	16	\$	22,919	\$	-	\$	22,935
Non-Exchange Revenue		57		52		-		109
Donations and Forfeitures of Cash		-		6		-		6
Transfers - In/(Out) Without Reimbursement		(214)		-		-		(214)
Other Financing Sources (Non-Exchange):								
Donations and Forfeitures of Cash		22		-		-		22
Transfers - In/(Out) Without Reimbursement <sup>(Note 24)</sup>		53		1,161		-		1,214
Imputed Financing from Costs Absorbed by Others <sup>(Note 24)</sup>		3		1,822		-		1,825
Other		614		(129)		(476)		9
Total Financing Sources	\$	551	\$	25,831	\$	(476)	\$	25,906
Net Cost of Operations		401		(30,228)		476		(29,351)
Net Change	\$	952	\$	(4,397)	\$	-	\$	(3,445)
Total Cumulative Results of Operations	\$	(5,638)	\$	(215,622)	\$	-	\$	(221,260)
<b>UNEXPENDED APPROPRIATIONS:</b>								
Beginning Balances	\$	17	\$	10,665	\$	-	\$	10,682
Budgetary Financing Sources:								
Appropriations Received <sup>(Note 25)</sup>	\$	12	\$	23,958	\$	-	\$	23,970
Appropriations Transferred - In/(Out)		-		2		-		2
Other Adjustments		-		(600)		-		(600)
Appropriations Used		(16)		(22,919)		-		(22,935)
Total Budgetary Financing Sources	\$	(4)	\$	441	\$	-	\$	437
Total Unexpended Appropriations	\$	13	\$	11,106	\$	-	\$	11,119
Net Position	\$	(5,625)	\$	(204,516)	\$	-	\$	(210,141)

The accompanying notes are an integral part of these statements.

**U.S. Department of Energy Combined Statements of Budgetary Resources**

For the Years Ended September 30, 2009 and 2008

(\$ in millions)	FY 2009		
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	FY 2008 Budgetary
<b>BUDGETARY RESOURCES:</b>			
Unobligated Balance, Brought Forward, October 1	\$ 3,629	\$ -	\$ 4,080
Recoveries of Prior Year Unpaid Obligations	60	-	53
Budget Authority:			
Appropriations (Note 25)	\$ 73,202	\$ -	\$ 25,434
Borrowing Authority	385	9,102	425
Contract Authority	787	-	515
Spending Authority from Offsetting Collections:			
Earned:			
Collected	8,069	468	8,046
Change in Receivables from Federal Sources	(30)	-	30
Change in Unfilled Customer Orders:			
Advances Received	80	-	13
Without Advance from Federal Sources	(6)	2,868	260
Subtotal	\$ 82,487	\$ 12,438	\$ 34,723
Nonexpenditure Transfers, Net, Actual (Note 7)	(2,056)	-	(81)
Temporarily not Available Pursuant to Public Law	(7)	-	(159)
Permanently not Available	(955)	-	(1,774)
Total Budgetary Resources (Note 25)	\$ 83,158	\$ 12,438	\$ 36,842

**STATUS OF BUDGETARY RESOURCES:**

Obligations Incurred:			
Direct	\$ 48,101	\$ 9,102	\$ 25,486
Exempt from Apportionment	3,141	-	2,901
Reimbursable	4,654	-	4,826
Total Obligations Incurred (Notes 24 and 25)	\$ 55,896	\$ 9,102	\$ 33,213
Unobligated Balance:			
Apportioned	25,572	3	1,991
Exempt from Apportionment	43	-	47
Unobligated Balance not Available (Note 25)	1,647	3,333	1,591
Total Status of Budgetary Resources	\$ 83,158	\$ 12,438	\$ 36,842

**CHANGE IN OBLIGATED BALANCE:**

Obligated Balance, Net:			
Unpaid Obligations, Brought Forward, October 1	\$ 21,102	\$ -	\$ 19,447
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	(4,491)	-	(4,201)
Total Unpaid Obligated Balance, Net, October 1	\$ 16,611	\$ -	\$ 15,246
Obligations Incurred (Notes 24 and 25)	55,896	9,102	33,213
Less: Gross Outlays	(35,041)	(908)	(31,505)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(60)	-	(53)
Change in Uncollected Customer Payments from Federal Sources	36	(2,868)	(290)
Obligated Balance, Net, End of Period:	\$ 37,442	\$ 5,326	\$ 16,611
Unpaid Obligations (Note 25)	\$ 41,897	\$ 8,194	\$ 21,102
Less: Uncollected Customer Payments from Federal Sources	(4,455)	(2,868)	(4,491)
Total, Unpaid Obligated Balance, Net, End of Period	\$ 37,442	\$ 5,326	\$ 16,611

**NET OUTLAYS:**

Gross Outlays	\$ 35,041	\$ 908	\$ 31,505
Less: Offsetting Collections	(8,149)	(468)	(8,059)
Less: Distributed Offsetting Receipts (Notes 24 and 25)	(3,235)	-	(2,111)
Net Outlays (Note 25)	\$ 23,657	\$ 440	\$ 21,335

The accompanying notes are an integral part of these statements.

**U.S. Department of Energy Consolidated Statements of Custodial Activities**

For the Years Ended September 30, 2009 and 2008

(\$ in millions)	FY 2009	FY 2008
<b>SOURCE OF COLLECTIONS:</b>		
Cash Collections: <small>(Note 26)</small>		
Power Marketing Administrations Custodial Revenue	\$ 694	\$ 573
Federal Energy Regulatory Commission	63	62
Total Cash Collections	\$ 757	\$ 635
Accrual Adjustment	14	(25)
Total Custodial Revenue	\$ 771	\$ 610
<b>DISPOSITION OF REVENUE:</b>		
Transferred to Others:		
Bureau of Reclamation	(428)	(327)
Department of the Treasury	(321)	(302)
Army Corps of Engineers	(26)	(5)
Others	-	(3)
Decrease/(Increase) in Amounts to be Transferred	4	27
Net Custodial Activity	\$ -	\$ -

*The accompanying notes are an integral part of these statements.*



# NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

## I. Summary of Significant Accounting Policies

### A. Basis of Presentation

These consolidated and combined financial statements have been prepared to report the financial position and results of operations of the Department. The statements were prepared from the books and records of the Department in accordance with generally accepted accounting principles applicable to Federal entities.

### B. Description of Reporting Entity

The Department is a cabinet level agency of the Executive Branch of the U.S. Government. The Department is not subject to Federal, state, or local income taxes. The Department's headquarters organizations are located in Washington, D. C. and Germantown, Maryland, and consist of an executive management structure that includes the Secretary; the Deputy Secretary; the Under Secretary of Energy; the Under Secretary for Nuclear Security/Administrator for The National Nuclear Security Administration; the Under Secretary for Science; Secretarial staff organizations; and program organizations that provide technical direction and support for the Department's principal programmatic missions. The Department also includes the Federal Energy Regulatory Commission (FERC), which is an independent organization responsible for regulating the transmission and sale of natural gas for resale in interstate commerce and for the transmission and wholesale of electricity in interstate commerce and the licensing of hydroelectric power projects.

The Department has a complex field structure comprised of operations offices, field offices, power marketing administrations (Bonneville Power Administration, Southeastern Power Administration, Southwestern Power Administration, and Western Area Power Administration), laboratories, and other facilities. The majority of the Department's environmental cleanup, energy research and development, and testing and production activities are carried out by major contractors. The contractors operate, maintain, or support the Department's Government-owned facilities on a day-to-day basis and provide other special work under the direction of the Department's field organizations. The Department indemnifies these contractors against financial responsibility from nuclear accidents under the provisions of the Price-Anderson Act.

These contractors have unique contractual relationships with the Department. In most cases, their charts of accounts and accounting systems are integrated with the Department's accounting system through a home office-branch office type of arrangement. Additionally, the Department is responsible for reimbursing the allowable costs of contractor contributions to

certain defined benefit pension plans, as well as postretirement benefits such as medical care and life insurance, for the employees of these contractors. As a result, the Department's financial statements reflect not only the costs incurred by these contractors, but also include certain contractor assets (e.g., employee advances and prepaid pension costs) and liabilities (e.g., accounts payable, accrued expenses including payroll and benefits, and pension and other actuarial liabilities) that would not be reflected in the financial statements of other Federal agencies that do not have these unique contractual relationships.

### C. Basis of Accounting

Transactions are recorded on an accrual accounting basis and budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when liabilities are incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds. All material intradepartmental balances and transactions have been eliminated in the *Consolidated Balance Sheets*, *Consolidated Statements of Net Cost*, *Consolidated Statements of Changes in Net Position*, and *Consolidated Statements of Custodial Activities*. The *Combined Statements of Budgetary Resources* are prepared on a combined basis and do not include intradepartmental eliminations.

Throughout these financial statements, assets, liabilities, earned revenue, and costs have been classified according to the type of entity with whom the transactions were made. Intragovernmental assets and liabilities are those from or to other Federal entities. Intragovernmental earned revenue represents collections or accruals of revenue from other Federal entities, and intragovernmental costs are payments or accruals to other Federal entities.

### D. Fund Balance with Treasury

Funds with the Department of the Treasury (Treasury) primarily represent appropriated and revolving funds that are available to pay current liabilities and finance authorized purchases. Disbursements and receipts are processed by Treasury, and the Department's records are reconciled with those of Treasury (see Note 3).

### E. Investments, Net

All investments are reported at cost net of amortized premiums and discounts as it is the Department's intent to hold the investments to maturity. Premiums and discounts are amortized using the effective interest yield method (see Note 4).

### F. Accounts Receivable, Net

The amounts due for non-intragovernmental (non-Federal) receivables are stated net of an allowance for uncollectible accounts. The estimate of the allowance is based on past experience in the collection of receivables and an analysis of the outstanding balances (see Note 5).

### G. Direct Loans and Loan Guarantees

The Department has two loans that were obligated and disbursed prior to FY 1992, and are presented net of an allowance for loss. All loans obligated after FY 1992 are presented on a present value basis in compliance with the Federal Credit Reform Act of 1990 (FCRA). The present value of the loans is revalued on an annual basis (see Note 7).

### H. Inventory, Net

Stockpile materials are recorded at historical cost in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 3, *Accounting for Inventory and Related Property*, except for certain nuclear materials identified as surplus or excess to the Department's needs. These nuclear materials are recorded at their net realizable value (see Note 8).

### I. General Property, Plant, and Equipment, Net

Property, plant, and equipment that are purchased, constructed, or fabricated in-house, including major modifications or improvements, are capitalized at cost. The Department's property, plant, and equipment capitalization threshold is \$50,000 except for the Power Marketing Administrations (PMAs) and FERC, which use thresholds ranging from \$5,000 to \$50,000. The capitalization threshold for internal use software is \$750,000, except for the PMAs and FERC, which use thresholds ranging from \$5,000 to \$150,000 (see Note 9).

Costs of construction are capitalized as construction work in process. Upon completion or beneficial occupancy or use, the cost is transferred to the appropriate property account. Property, plant, and equipment related to environmental management facilities storing and processing the Department's environmental legacy wastes are not capitalized.

Depreciation expense is generally computed using the straight-line method. The units of production method is used only in special cases where applicable, such as depreciating automotive equipment on a mileage basis and construction equipment on an hourly use basis. The ranges of service lives are generally as follows:

- Structures and Facilities 25 – 50 years
- Automated Data Processing Software 3 – 7 years
- Equipment 5 – 40 years
- Land and land rights – duration of period or 50 years, whichever is less.

### J. Liabilities

Liabilities represent amounts of monies or other resources likely to be paid by the Department as a result of a transaction or event that has already occurred. However, no liability can be paid by the Department absent an authorized appropriation. Liabilities for which an appropriation has not been enacted are, therefore, classified as not covered by budgetary resources (see Note 11), and there is no certainty that the appropriations will be enacted. Also, liabilities of the Department that are not contract based can be abrogated by the Government acting in its sovereign capacity.

### K. Earmarked Funds

Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the Government's general revenues (see Note 19).

### L. Accrued Annual, Sick, and Other Leave

Federal employees' annual leave is accrued as it is earned, and the accrual is reduced annually for actual leave taken. Each year, the accrued annual leave balance is adjusted to reflect the latest pay rates. To the extent that current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed as taken.

### M. Retirement Plans

#### *Federal Employees*

There are two primary retirement systems for Federal employees. Employees hired prior to January 1, 1984, may participate in the Civil Service Retirement System (CSRS). On January 1, 1984, the Federal Employees Retirement System (FERS) went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. A primary feature of FERS is that it offers a savings plan to which the Department automatically contributes one percent of pay and matches any employee contribution up to an additional four percent of pay. For most employees hired since December 31, 1983, the Department also contributes the employer's matching share for Social Security. The Department does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of the Office of Personnel Management (OPM). The Department does report, as an imputed financing source (see Note 24) and a program expense, the difference between its contributions to Federal employee pension and other retirement benefits and the estimated actuarial costs as computed by OPM. The PMAs make additional

annual contributions to Treasury to ensure that all postretirement benefit programs provided to their employees are fully funded and such costs are both recovered through rates and properly expensed.

#### *Contractor Employees*

The Department is contractually responsible for reimbursing its major contractors who sponsor employee defined benefit pension plans for the costs of contractor employee retiree benefits because these are allowable costs under their contracts. Most of these contractors sponsor defined benefit pension plans under which these plans promise to pay employees specified benefits, such as a percentage of the final average pay for each year of service. The Department does not sponsor and is not the fiduciary of contractor employee defined benefit plans. Contractors are required to make contributions to their plans as required by the Internal Revenue Code, the Employee Retirement Income Security Act (ERISA), as amended, and Departmental direction. Employer contributions are calculated to ensure that plan assets are sufficient to provide for accrued benefits of contractor employees. The level of contributions is dependent on plan provisions and actuarial assumptions about the future, such as interest rates, employee turnover and mortality, age of retirement, and compensation increases. The Department's major contractors also sponsor PRB consisting of predominantly postretirement health care benefits which are generally funded on a pay-as-you-go basis. Since the Department is responsible for the allowable costs of funding these contractor pension and PRB plans, it reports assets and liabilities for these plans (see Note 16).

#### *N. Net Cost of Operations*

Program costs are summarized in the *Consolidated Statements of Net Cost* by the strategic themes and goals identified in the Department's September 30, 2006, Strategic Plan. Program costs reflect full costs including all direct and indirect costs consumed by these strategic themes and goals. Full costs are reduced by exchange (earned) revenues to arrive at net operating cost (see Notes 20 and 21). The strategic themes and goals are summarized below.

#### *Energy Security*

- **Energy Diversity** – Increase our energy options and reduce dependence on oil, thereby reducing vulnerability to disruption and increasing the flexibility of the market to meet U.S. needs.
- **Environmental Impacts of Energy** – Improve the quality of the environment by reducing greenhouse gas emissions and environmental impacts to land, water, and air from energy production and use.
- **Energy Infrastructure** – Create a more flexible, more reliable, and higher capacity U.S. energy infrastructure.
- **Energy Productivity** – Cost-effectively improve the energy efficiency of the U.S. economy.

#### *Nuclear Security*

- **Nuclear Deterrent** – Transform the Nation's nuclear weapons stockpile and supporting infrastructure to be more responsive to the threats of the 21st Century.
- **Weapons of Mass Destruction** – Prevent the acquisition of nuclear and radiological materials for use in weapons of mass destruction and in other acts of terrorism.
- **Nuclear Propulsion Plants** – Provide safe, militarily effective nuclear propulsion plants to the U.S. Navy.

#### *Scientific Discovery and Innovation*

- **Scientific Breakthroughs** – Achieve the major scientific discoveries that will drive U.S. competitiveness, inspire America, and revolutionize approaches to the Nation's energy, national security, and environmental quality challenges.
- **Foundations of Science** – Deliver the scientific facilities, train the next generation of scientists and engineers, and provide the laboratory capabilities and infrastructure required for U.S. scientific primacy.
- **Research Integration** – Integrate basic and applied research to accelerate innovation and to create transformational solutions for energy and other U.S. needs.

#### *Environmental Responsibility*

- **Environmental Cleanup** – Complete cleanup of the contaminated nuclear weapons manufacturing and testing sites across the U.S.
- **Managing the Legacy** – Manage the Department's post-closure environmental responsibilities and ensure the future protection of human health and the environment.

#### *O. Revenues and Other Financing Sources*

The Department receives the majority of the funding needed to perform its mission through Congressional appropriations. These appropriations may be used, within statutory limits, for operating and capital expenditures. In addition to appropriations, financing sources include exchange and non-exchange revenues, imputed financing sources, and custodial revenues.

#### *Exchange and Non-Exchange Revenues*

In accordance with Federal Government accounting standards, the Department classifies revenues as either exchange (earned) or non-exchange. Exchange revenues are those that derive from transactions in which both the Government and the other party receive value (see Note 20). Non-exchange revenues derive from the Government's sovereign right to demand payment, including

finances and penalties. Non-exchange revenues also include interest earned on investments funded from amounts remaining from the privatization of the U.S. Enrichment Corporation (see Note 4). These revenues are not considered to reduce the cost of the Department's operations and are reported on the *Consolidated Statements of Changes in Net Position*.

## Imputed Financing Sources

In certain instances program costs of the Department are paid out of the funds appropriated to other Federal agencies. For example, certain costs of retirement programs are paid by OPM, and certain legal judgments against the Department are paid from the Judgment Fund maintained by Treasury. When costs that are directly attributable to the Department's operations are paid by other agencies, the Department recognizes these amounts on the *Consolidated Statements of Net Cost*. In addition, these amounts are recognized as imputed financing sources on the *Consolidated Statements of Changes in Net Position* (see also Note 24).

## Custodial Revenues

The Department collects certain revenues on behalf of others which are designated as custodial revenues. The Department incurs

virtually no costs to generate these revenues, nor can it use these revenues to finance its operations. The revenues are returned to Treasury and others and are reported on the *Consolidated Statements of Custodial Activities* (see Note 26).

## P. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant items subject to such estimates and assumptions include present value of loan receivables, estimated lives of general property, plant and equipment, environmental cleanup and disposal liabilities, pension and other actuarial liabilities, contingencies and commitments, cost accruals, and managerial cost allocations. Actual results could differ from these estimates.

## Q. Comparative Data

Certain FY 2008 amounts have been reclassified to conform to the FY 2009 presentation.

## 2. Non-Entity Assets

	(\$ in millions)	
	FY 2009	FY 2008
Intragovernmental		
Naval Petroleum Reserve Deposit Fund (Note 14)	\$ 323	\$ 323
Investments - Petroleum Pricing Violation Escrow Fund (Notes 4 and 14)	59	56
Other	8	8
Subtotal	\$ 390	\$ 387
Investments - Petroleum Pricing Violation Escrow Fund (Notes 4 and 14)	195	196
Inventories - Department of Defense stockpile oil (Notes 8 and 14)	123	123
Other	1	2
Total non-entity assets	\$ 709	\$ 708
Total entity assets	181,285	133,114
Total assets	\$ 181,994	\$ 133,822

Assets in the possession of the Department that are not available for its use are considered non-entity assets.

### Naval Petroleum Reserve Deposit Fund

The balance in this fund represents proceeds from the sale of the Naval Petroleum Reserve at Elk Hills that are being held until final disposition in accordance with the Decoupling Agreement. Approximately \$288 million is being held for a contingency payment to Chevron, Inc., pending the outcome of equity finalization. The remaining \$35 million is reserved for anticipated adjustments to Occidental's final payment and for possible reimbursement to the investment banker for an advance on its commission.

### Petroleum Pricing Violation Escrow Fund

The Petroleum Pricing Violation Escrow Fund represents receipts collected as a result of agreements or court orders with individuals or firms that violated petroleum pricing and allocation regulations during the 1970s and 1980s. These receipts are invested in Treasury securities and certificates of deposit at minority-owned financial institutions pending determination by the Department as to how to distribute the fund balance. The investments are liquidated, as needed, to make payments to claimants from this fund.



**3. Fund Balance with Treasury**

(\$ in millions)					
<b>FY 2009</b>					
	<b>Appropriated Funds</b>	<b>Revolving Funds</b>	<b>Special Funds</b>	<b>Other Funds</b>	<b>Total</b>
Unobligated budgetary resources					
Available	\$ 25,064	\$ 217	\$ 337	\$ -	\$ 25,618
Unavailable (Note 25)	57	4,923	-	-	4,980
Obligated balance not yet disbursed					
Unpaid obligations (Note 25)	38,418	10,641	1,032	-	50,091
Uncollected customer payments from Federal sources	(4,148)	(3,144)	(31)	-	(7,323)
Deposit fund liabilities	-	-	-	367	367
Other adjustments					
Appropriations temporarily not available pursuant to law, and contract authority	-	(787)	-	-	(787)
Collections temporarily not available pursuant to public law	7	-	-	-	7
Unavailable receipt accounts	-	-	881	-	881
Borrowing authority not yet converted to fund balance	-	(8,194)	-	-	(8,194)
Budgetary resources invested in Treasury securities					
Nuclear Waste Fund	-	-	(68)	-	(68)
Uranium Enrichment D&D Fund	-	-	(237)	-	(237)
Power marketing administrations	-	(95)	-	-	(95)
U.S. Enrichment Corporation revolving fund	-	(1,569)	-	-	(1,569)
<b>Total fund balance with Treasury</b>	<b>\$ 59,398</b>	<b>\$ 1,992</b>	<b>\$ 1,914</b>	<b>\$ 367</b>	<b>\$ 63,671</b>
<b>FY 2008</b>					
Unobligated budgetary resources					
Available	\$ 1,608	\$ 154	\$ 276	\$ -	\$ 2,038
Unavailable (Note 25)	25	1,566	-	-	1,591
Obligated balance not yet disbursed					
Unpaid obligations (Note 25)	17,798	2,546	758	-	21,102
Uncollected customer payments from Federal sources	(4,144)	(314)	(33)	-	(4,491)
Deposit fund liabilities	-	-	-	366	366
Other adjustments					
Appropriations temporarily not available pursuant to law, and contract authority	149	(515)	-	-	(366)
Unavailable receipt accounts	-	-	882	-	882
Budgetary resources invested in Treasury securities					
Nuclear Waste Fund	-	-	(100)	-	(100)
Uranium Enrichment D&D Fund	-	-	(249)	-	(249)
U.S. Enrichment Corporation revolving fund	-	(1,542)	-	-	(1,542)
<b>Total fund balance with Treasury</b>	<b>\$ 15,436</b>	<b>\$ 1,895</b>	<b>\$ 1,534</b>	<b>\$ 366</b>	<b>\$ 19,231</b>

**4. Investments and Related Interest, Net**

(\$ in millions)

	<b>FY 2009</b>					
	<b>Face</b>	<b>Unamortized Premium (Discount)</b>	<b>Interest Receivable</b>	<b>Investments Net</b>	<b>Unrealized Market Gains (Losses)</b>	<b>Market Value</b>
<b>Intragovernmental Non-Marketable</b>						
Nuclear Waste Fund	\$ 44,643	\$ (21,944)	\$ 50	\$ 22,749	\$ 3,690	\$ 26,439
D&D Fund	4,761	110	50	4,921	206	5,127
U.S. Enrichment Corporation	1,568	5	21	1,594	2	1,596
Power marketing administrations	95	3	-	98	-	98
Petroleum Pricing Violation						
Escrow Fund	59	-	-	59	-	59
Subtotal	\$ 51,126	\$ (21,826)	\$ 121	\$ 29,421	\$ 3,898	\$ 33,319
<b>Petroleum Pricing Violation</b>						
Escrow Fund	195	-	-	195	-	195
<b>Total investments and related interest, net</b>	<b>\$ 51,321</b>	<b>\$ (21,826)</b>	<b>\$ 121</b>	<b>\$ 29,616</b>	<b>\$ 3,898</b>	<b>\$ 33,514</b>

**FY 2008**

<b>Intragovernmental Non-Marketable</b>						
Nuclear Waste Fund	\$ 42,570	\$ (21,466)	\$ 50	\$ 21,154	\$ 2,983	\$ 24,137
D&D Fund	4,710	59	54	4,823	178	5,001
U.S. Enrichment Corporation	1,542	2	27	1,571	5	1,576
Petroleum Pricing Violation						
Escrow Fund	56	-	-	56	-	56
Subtotal	\$ 48,878	\$ (21,405)	\$ 131	\$ 27,604	\$ 3,166	\$ 30,770
<b>Petroleum Pricing Violation</b>						
Escrow Fund	195	-	1	196	-	196
<b>Total investments and related interest, net</b>	<b>\$ 49,073</b>	<b>\$ (21,405)</b>	<b>\$ 132</b>	<b>\$ 27,800</b>	<b>\$ 3,166</b>	<b>\$ 30,966</b>

Pursuant to statutory authorizations, the Department invests monies in Treasury securities and commercial certificates of deposit that are secured by the Federal Deposit Insurance Corporation. The Department's investments primarily involve the Nuclear Waste Fund (NWF) and the Uranium Enrichment Decontamination and Decommissioning (D&D) Fund. Fees paid by owners and generators of spent nuclear fuel and high-level radioactive waste and fees collected from domestic utilities are deposited into the respective funds. Funds in excess of those needed to pay current program costs are invested in Treasury securities.

Upon privatization of the U.S. Enrichment Corporation (USEC) on July 28, 1998, the OMB and Treasury designated the Department as successor to USEC for purposes of disposition of balances remaining in the USEC Fund. These funds are invested in Treasury securities.

The Federal Government does not set aside assets to pay for expenditures associated with the funds for which the Department holds Treasury securities. These Treasury securities are an asset to the Department and a liability to Treasury. Because the Department and Treasury are both parts of the Federal Government, these assets and liabilities offset each other from the standpoint of the Federal Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements. Treasury securities provide the Department with authority to draw upon the U.S. Treasury to make expenditures, subject to available appropriations and OMB apportionments. When the Department requires redemption of these securities, the Federal Government finances those expenditures out of accumulated cash balances by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way the Federal Government finances all other expenditures.

**5. Accounts Receivable, Net**

(\$ in millions)

	FY 2009			FY 2008		
	Receivable	Allowance	Net	Receivable	Allowance	Net
Intragovernmental	\$ 543	\$ -	\$ 543	\$ 526	\$ -	\$ 526
Nuclear Waste Fund	3,404	-	3,404	3,391	-	3,391
Power marketing administrations	473	(40)	433	505	(39)	466
Other	142	(38)	104	159	(39)	120
Subtotal	\$ 4,019	\$ (78)	\$ 3,941	\$ 4,055	\$ (78)	\$ 3,977
Total accounts receivable	\$ 4,562	\$ (78)	\$ 4,484	\$ 4,581	\$ (78)	\$ 4,503

Intragovernmental accounts receivable primarily represent amounts due from other Federal agencies for reimbursable work performed pursuant to the Economy Act, Atomic Energy Act, and other statutory authority.

Non-intragovernmental receivables primarily represent amounts due for NWF fees. NWF receivables are supported by contracts and

agreements with owners and generators of spent nuclear fuel and high-level radioactive waste that contribute resources to the fund. Other receivables due from the public include reimbursable work billings and other amounts related to trade receivables, and other miscellaneous receivables.

**6. Regulatory Assets**

(\$ in millions)

	FY 2009	FY 2008
Intragovernmental		
Refinanced and additional appropriated capital	\$ 5,489	\$ 5,425
Non-operating regulatory assets	3,579	3,705
REP lookback amount from IOUs	625	679
Conservation and fish and wildlife projects	324	345
Other regulatory assets	218	422
Subtotal	\$ 4,746	\$ 5,151
Total regulatory assets	\$ 10,235	\$ 10,576

The Department's PMAs record certain amounts as assets in accordance with the Financial Accounting Standards Board's Accounting Standards Codification (FASB ASC) 980, Regulated Operations. The provisions of this standard require that regulated enterprises reflect rate actions of the regulator in their financial statements, when appropriate. These rate actions can provide reasonable assurance of the existence of an asset, reduce or eliminate the value of an asset, or impose a liability on a regulated enterprise. In order to defer incurred costs under this standard, a regulated entity must have the statutory authority to establish rates that recover all costs, and those rates must be charged to and collected from customers.

***Refinanced and Additional Appropriated Capital***

The BPA Refinancing Section of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Refinancing Act), 16 U.S.C. 838(l), required that the outstanding balance of the

Federal Columbia River Power System (FCRPS) be reset and assigned market rates of interest prevailing as of September 30, 1996. This resulted in a determination that the principal amount of appropriations should equal the present value of the principal and interest that would have been paid to the U.S. Treasury in the absence of the Refinancing Act, plus \$100 million. These appropriations include the unpaid balance of capital appropriations of the power generating assets of the Corps and the Bureau of Reclamation associated with the FCRPS as well as additional capital investment post-Refinancing Act. The Corps and the Bureau of Reclamation continue to own and operate these assets, with BPA having the responsibility to recover the costs of the assets from power ratepayers. BPA established an intragovernmental regulatory asset representing the repayment amount of the transmission and power generating assets that will be recovered in BPA rates. This regulatory asset is being amortized on a straight-line method over the service lives of the assets.

BPA recognized annual amortization costs of \$94 million and \$92 million as of September 30, 2009 and September 30, 2008, respectively. The Consolidated Balance Sheets include a regulatory asset and an offsetting related debt (see Note 12).

### Non-Operating Regulatory Assets

BPA has acquired all or part of the potential generating capability of two non-operating nuclear projects and one hydro project. The contracts to acquire the generating capability of these projects require BPA to pay all or part of the annual projects' budgets, including maintenance expense and debt service. These projects' costs are recovered through BPA's rates. The *Consolidated Balance Sheets* include a regulatory asset and offsetting related debt (see Note 12).

### Residential Exchange Program (REP) Lookback Amount from Investor-Owned Utilities

As provided in the Northwest Power Act, beginning in 1981, BPA entered into 20-year Residential Purchase and Sale Agreements (RPSA) with eligible regional utility customers. The RPSAs implemented the Residential Exchange Program (REP).

In 2000, BPA signed Residential Exchange Settlement Agreements ("REP settlements" or "settlement agreements") with the region's six investor-owned utilities (IOU) under which BPA provided monetary and power benefits as a settlement of residential exchange disputes for the period July 1, 2001, through September 30, 2011. Based on an analysis of the REP settlements, BPA recorded an IOU exchange benefit liability and regulatory asset for amounts recoverable in future rates.

In May 2007, the Ninth Circuit Court ruled that the REP settlements were inconsistent with the Pacific Northwest Electric Power Planning and Conservation Act. Due to this ruling, the IOU exchange benefit liability and regulatory asset were reduced to zero for FY 2008. Also in response to the Ninth Circuit Court rulings, BPA held a new wholesale power rate case that supplemented the initial FY 2007 rate case. The 2007 Supplemental Wholesale Power Rate Case

Final Record of Decision (2007 Final ROD) was issued by the BPA Administrator on September 22, 2008 and established a "Lookback Amount."

The Lookback Amount represents amounts in prior years over-collected from consumer-owned utilities and over-paid to the IOU's under the REP settlement agreements. In each succeeding rate case, the BPA Administrator will designate the amount to be recovered from the IOUs that will be returned to qualifying consumer-owned utilities. These amounts will not reduce rates, but will be credits to qualifying consumer-owned utilities' bills, as designated in the corresponding Final RODs. BPA will recognize a refund and reduce expense in each year it is applied, until the Lookback Amount is eliminated.

As of September 30, 2009, BPA recorded an ending balance of \$625 million as both a regulatory asset and liability for the Lookback amount, compared to \$679 million as of September 30, 2008. The Lookback amount applied in FY 2009 is \$83 million, with an increase of \$29 million for accrued interest on the outstanding balance.

### Conservation and Fish and Wildlife Projects

Conservation measures consist of the costs of capitalized conservation measures and are amortized over periods of 5 to 20 years. Fish and wildlife measures consist of the costs of capitalized fish and wildlife projects and are amortized over a period of 15 years.

### Other Regulatory Assets

Other regulatory assets consist of BPA deferred expenses where the costs are included in rates charged to customers. These assets primarily include Trojan decommissioning and site restoration costs reflecting amounts to be recovered in future rates for funding the Trojan asset retirement obligation liability; settlements reflecting agreements or proposed settlements stemming from litigation; spacer dampers on transmission lines; and capital bond premiums, which represent the deferred losses related to refinanced debt and are amortized over the life of the new debt instruments.



## 7. Direct Loans and Loan Guarantees, Net

(\$ in millions)	(\$ in millions)	
	FY 2009	FY 2008
Pre-FCRA loans	\$ 8	\$ 41
FCRA direct loans		
ATVM	410	-
Title XVII	19	-
<b>Total direct loans, net</b>	<b>\$ 437</b>	<b>\$ 41</b>

### Pre-FCRA Loans

The Department has two loans outstanding that were issued prior to the FCRA, including \$40 million for a defaulted guaranteed loan plus \$1 million in interest under the Biomass Energy and Alcohol Fuels Act of 1980 and \$1 million in weatherization loans. These loans are presented net of an allowance for loss. An allowance for loss amounting to \$34 million was recorded in FY 2009 based on the appraised value of the collateral securing the loans.

### FCRA Direct Loans and Loan Guarantees

The Department's direct loan obligations made post-FY 1991, and the resulting direct loans, are governed by the FCRA. These FCRA loans are valued at the net present value of expected future cash flows, discounted at the interest rate of Treasury marketable securities. These are known as the subsidy costs, which include interest rate differentials, delinquencies, defaults, fees, and other cash flow items. The subsidy costs are intended to estimate the long-term cost to the U.S. Government of its loan programs. These costs are recognized in the year the loan is disbursed. A subsidy reestimate is performed annually at September 30. The subsidy reestimate takes into account all factors that may have affected the estimated cash flows. Any adjustment resulting from the reestimate is recognized as a subsidy expense.

The net present value of the FCRA direct loans is not necessarily representative of proceeds that might be expected if these loans were sold on the open market.

Interest revenue is accrued on a monthly basis on the loan balance outstanding at the interest rate assigned to that loan at the time of disbursement, net of any non-performing interest over 90 days.

The Department operates the following FCRA direct loan and loan guarantee programs:

- Advanced Technology Vehicle Manufacturing Loan Program
- Title XVII Loan Guarantee Program for Innovative Technologies (Title XVII)

### ATVM

Section 136 of the Energy Independence and Security Act of 2007 established the ATVM Incentive Program which authorizes direct loans to support the development of advanced technology vehicles and associated components in the U.S. The ATVM provides loans to automobile and automobile part manufacturers for the cost of re-equipping, expanding, or establishing manufacturing facilities in the U.S. to produce advanced technology vehicles or qualified components, and for associated engineering integration costs. The FY 2009 Continuing Resolution (CR) enacted on September 30, 2008, appropriated \$7.5 billion to support a maximum of \$25 billion in loans under the ATVM.

The ATVM Program issues direct loans which are funded by the Federal Financing Bank (FFB) with interest rates that are equal to the cost of funds to the Treasury for obligations of comparable maturity. The total subsidy cost for an ATVM direct loan is comprised of default subsidy, financing subsidy, and fees.

In determining the credit subsidy, the Department estimates a base borrower interest rate from the budget assumption yield curve used to discount cash flows that generates a zero financing subsidy when determining the final subsidy cost at the point of obligation. This base interest rate is used for calculating the subsidy cost only. Actual interest rates that borrowers pay are not affected. During the interest rate reestimate, the actual interest rates and the discount rates are updated and will true-up the difference in the Treasury interest rates assumed in the original subsidy cost, and the actual Treasury rates at the point of disbursement, when the borrower interest rates are set.

As of September 30, 2009, the Department has received 119 ATVM loan applications. Four applications have been approved totaling approximately \$8.6 billion, and this amount has been obligated. Disbursements under these obligated applications amounted to \$886 million as of September 30, 2009.

### Title XVII

The Energy Policy Act of 2005 (EPAct05) authorizes the Department to issue loan guarantees to eligible projects that "avoid, reduce, or sequester air pollutants or

anthropogenic emissions of greenhouse gases” and “employ new or significantly improved technologies as compared to technologies in service in the U.S. at the time the guarantee is issued.” Title XVII of EPCA05 provides broad authority for the Department to guarantee loans that support early commercial use of advanced technologies, if “there is reasonable prospect of repayment of the principal and interest on the obligation by the borrower.”

Title XVII specifies that the Department must receive either an appropriation for the subsidy cost or the borrower must pay that cost. No funds have been appropriated for the subsidy cost of loan guarantees under Section 1703 of Title XVII. Therefore, Section 1703 currently operates as a ‘self-pay’ program whereby borrowers pay the calculated subsidy cost.

In addition to the original program (Section 1703), the American Recovery and Reinvestment Act (ARRA) established a new Section 1705 of Title XVII and in FY 2009, and appropriated \$5.965 billion to pay for the subsidy costs of loan guarantees for certain renewable energy systems, electric power transmission systems, and leading edge biofuel projects that commence construction no later than September 30, 2011. Public Law 111-47 required \$2 billion of the subsidy costs to be transferred to the Department of Transportation to fund the “Cash for Clunkers” program.

Both Section 1703 and 1705 programs are authorized to issue loan guarantees for up to 100 percent of a debt obligation, which must not exceed 80 percent of eligible project costs. In cases where the Department issues a 100 percent guarantee,

the Final Rule requires that the Federal Financing Bank (FFB) provide the funding. For the purpose of determining the credit subsidy, the Department models these loan guarantees as direct loans to reflect the economic reality to the Federal government as a whole. Under Title XVII, the total subsidy cost for a direct loan is comprised of default subsidy and financing subsidy (where fees offset administrative costs).

In determining the credit subsidy, the Department estimates a base borrower interest rate from the budget assumption yield curve used to discount cash flows that generate a zero financing subsidy when determining the final subsidy cost at the point of obligation. The Department then adds a spread to that interest rate estimate to reflect any spread that the FFB may charge based on the terms and conditions of the loan guarantee agreement. This base interest rate is used for calculating the subsidy cost only. Actual interest rates that borrowers pay are not affected. During the interest rate reestimate, the actual interest rates and the discount rates are updated and will true-up the difference in the Treasury interest rates assumed in the original subsidy cost, and the actual Treasury rates at the point of disbursement, when the borrower interest rates are set.

As of September 30, 2009, 389 loan guarantee applications have been received under the Title XVII program. Three applications met the qualifications of Section 1705. As of September 30, 2009, two conditional commitments to issue guarantees have been issued and one guarantee of a loan totaling approximately \$535 million has been obligated, of which \$21 million has been disbursed.

## FCRA Direct Loans and 100% Loan Guarantees

(\$ in millions) FY 2009				
	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans
Direct loans obligated				
ATVM	\$ 886	\$ -	\$ (476)	\$ 410
Title XVII	21	-	(2)	19
Total Direct Loans	\$ 907	\$ -	\$ (478)	\$ 429

## FCRA Direct Loans and 100% Loan Guarantees Disbursements

	FY 2009
Direct loan program	
ATVM	\$ 886
Title XVII	21
Total	\$ 907

**FCRA Subsidy Expense for Direct Loans and 100% Loan Guarantees by Program and Component**

(\$ in millions)					
FY 2009					
	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Subsidy expense for new direct loans disbursed					
Direct loan program					
ATVM	\$ -	\$ 451	\$ (1)	\$ -	\$ 450
Title XVII	-	2	-	-	2
Total	<u>\$ -</u>	<u>\$ 453</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 452</u>

	Technical Reestimates	Total Subsidy Expense
Reestimates		
Direct loan program		
ATVM	\$ 9	\$ 459
Title XVII	-	2
Total	<u>\$ 9</u>	<u>\$ 461</u>

**FCRA Subsidy Rates for Direct Loans and 100% Loan Guarantees by Program and Component**

FY 2009					
	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Direct loan program					
ATVM	0.0%	38.38%	(0.10%)	0.0%	38.28%
Title XVII	(1.36)%	8.93%	0.0%	0.0%	7.57%

Rates are the weighted average of the individual loan subsidy rates within the ATVM program.

**Schedule for Reconciling Subsidy Cost Allowance Balances  
(Post-1991 Direct Loans and 100% Loan Guarantees)**

(\$ in millions)	
FY 2009	
Beginning balance of the subsidy cost allowance	\$ -
Add: subsidy expense for direct loans disbursed during the reporting years by component	
Default costs (net of recoveries)	453
Fees and other collections	(1)
Total of the above subsidy components	\$ 452
Adjustments:	
Fees received	6
Subsidy allowance amortization	11
Ending balance of subsidy cost allowance before reestimates	\$ 469
Add or subtract subsidy reestimates by component	
Technical/default reestimates	9
Ending balance of subsidy cost allowance	<u>\$ 478</u>

**FCRA Administrative Expenses**

(\$ in millions)

**FY 2009**

Direct loan program

ATVM

\$ 10

Guarantee loan program

Title XVII

15

**8. Inventory, Net**

Inventory includes stockpile materials consisting of crude oil held in the Strategic Petroleum Reserve (SPR) and the Northeast Home Heating Oil Reserve, nuclear materials, highly enriched uranium, and other inventory consisting primarily of operating materials and supplies.

Strategic Petroleum Reserve

The SPR consists of crude oil stored in salt domes, terminals, and pipelines. As of September 30, 2009, and September 30, 2008, the SPR contained crude oil with a historical cost of \$21,547 million and \$20,406 million, respectively. The SPR provides a response mechanism should a severe oil disruption occur. Included in the SPR is six million barrels of crude oil held for future Department of Defense (DOD) use. The FY 1993 Defense Appropriations Act authorized the Department to acquire, transport, store, and prepare for ultimate drawdown of crude oil for DOD. The crude oil purchased with DOD funding is commingled with the Department's stock and is valued at its historical cost of \$123 million at September 30, 2009, and September 30, 2008 (see Notes 2 and 14).

Northeast Home Heating Oil Reserve

The Northeast Home Heating Oil Reserve was established in FY 2000 pursuant to the Energy Policy and Conservation Act. The Reserve contains petroleum distillate in the New England, New York, and New Jersey geographic areas valued at historical costs of \$79 million as of September 30, 2009 and September 30, 2008.

Nuclear Materials

Nuclear materials include weapons materials and related components, including those in the custody of the DOD under Presidential Directive, and materials used for research and development purposes. Certain surplus plutonium carried at zero value (a provision for disposal is included in environmental liabilities) has significant arms control and nonproliferation value and is instrumental to the U.S. in ensuring that Russia continues toward the disposition of its weapons-grade plutonium.

The Department has inventories amounting to a total of 17,596 metric tons (MTU) of natural uranium hexafluoride (UF<sub>6</sub>) as of September 30, 2009, the majority of which was restricted from sale into the commercial market until after March 2009. This total can be divided into two separate stockpiles. The first stockpile consists of U.S. origin natural uranium of 5,156 MTU. The second stockpile is 12,440 MTU of Russian-origin natural uranium.

The nuclear materials inventory includes numerous items for which future use and disposition decisions have not been made. Decisions for most of these items will be made through analysis of the economic benefits and costs, and the environmental impacts of the various use and disposition alternatives. The carrying value of these items is not significant to the nuclear materials stockpile inventory balance. The Department will recognize disposition liabilities and record the material at net realizable value when disposal as waste is identified as the most likely alternative and disposition costs can be reasonably estimated. Inventory values are reduced by costs associated with decay or damage.

Highly Enriched Uranium

The Nuclear Weapons Council declared in December 1994, leading to the Secretary of Energy's announcement in February 1996, that 174.3 metric tons (MT) of the Department's HEU were excess to national security needs. Most of this material (about 156 MT) will be blended for sale as LEU and used over time as commercial or research nuclear reactor fuel to recover its value. The remaining portion (about 18 MT) of the material is already in the form of irradiated fuel or other waste forms and will be disposed of directly as waste. In November 2005, the Secretary of Energy declared that an additional 200 MT of HEU will never again be used as fissile material in nuclear weapons. Out of the 200 MT, approximately 20 MT will be down-blended to LEU for use in commercial or research reactors, 20 MT will be used for research and 160 MT will be provided to Naval Reactors for programmatic use. Approximately 20 percent of the Naval Reactors material is expected to be rejected by Naval Reactors and re-designated for down-blending and sale as LEU fuel. Down-blending of this material will occur over the next 25 to 50 years.



**9. General Property, Plant and Equipment, Net**

	FY 2009			(\$ in millions) FY 2008		
	Acquisition Costs	Accumulated Depreciation	Net Book Value	Acquisition Costs	Accumulated Depreciation	Net Book Value
Land and land rights	\$ 1,686	\$ (823)	\$ 863	\$ 1,651	\$ (806)	\$ 845
Structures and facilities	36,524	(24,003)	12,521	36,256	(23,512)	12,744
Internal use software	488	(281)	207	453	(248)	205
Equipment	17,122	(11,441)	5,681	16,433	(11,051)	5,382
Natural resources	94	(12)	82	90	(12)	78
Construction work in process	8,300	-	8,300	5,800	-	5,800
<b>Total general property, plant, and equipment</b>	<b>\$ 64,214</b>	<b>\$ (36,560)</b>	<b>\$ 27,654</b>	<b>\$ 60,683</b>	<b>\$ (35,629)</b>	<b>\$ 25,054</b>

**10. Other Non-Intragovernmental Assets**

	(\$ in millions)	
	FY 2009	FY 2008
Purchased generating capability	\$ 2,520	\$ 2,493
Prepaid pension plan costs <sup>(Note 16)</sup>	54	1,172
Oil due from others	39	360
Prepayments and advances	160	113
Other	483	487
<b>Total other non-intragovernmental assets</b>	<b>\$ 3,256</b>	<b>\$ 4,625</b>

*Purchased Generating Capability*

BPA has contracted to acquire all of the generating capability of one nuclear power plant and one hydroelectric project which requires BPA to pay the facilities operating expenses and debt service. BPA recognizes these expenses based upon the total cash required to fund the projects. These assets are amortized as the principal on the outstanding bonds is repaid by the non-Federal entities. The *Consolidated Balance Sheets* include an offsetting, related debt for these amounts.

*Oil Due from Others*

The Department has a Royalty-in-Kind exchange arrangement with the Department of the Interior's Mineral Management

Service (MMS) to receive crude oil from Gulf of Mexico Federal offshore leases. The oil from the MMS offshore leases was exchanged for other crude oil (exchange oil) to be delivered to the SPR. As a result of companies deferring the delivery of some of the exchange oil, the Department earns additional oil as a premium.

As of September 30, 2009, the value of deferred Royalty-in-Kind barrels was \$3 million. The value of the remaining royalty due to the SPR was \$36 million.

**I I. Liabilities Not Covered by Budgetary Resources**

	(\$ in millions)	
	FY 2009	FY 2008
Intragovernmental		
Debt <sup>(Note 12)</sup>	\$ 12,708	\$ 11,526
Other	14	15
Total intragovernmental	\$ 12,722	\$ 11,541
Debt <sup>(Note 12)</sup>	6,166	6,267
Deferred Revenues		
Nuclear Waste Fund deferred revenues <sup>(Note 13)</sup>	26,152	24,510
Environmental liabilities <sup>(Note 15)</sup>	262,752	263,630
Pension and other actuarial liabilities <sup>(Note 16)</sup>	24,744	12,362
Capital leases <sup>(Note 17)</sup>	107	143
Other liabilities		
Environment, safety, and health compliance activities <sup>(Note 14 and 24)</sup>	1,587	1,666
Accrued annual leave for Federal employees	145	134
Other	57	70
Contingencies and commitments <sup>(Note 18)</sup>	13,188	12,388
Total liabilities not covered by budgetary resources	\$ 347,620	\$ 332,711
Total liabilities covered by budgetary resources	13,924	11,252
Total liabilities	\$ 361,544	\$ 343,963

**12. Debt**

	(\$ in millions)					
	FY 2009			FY 2008		
	Beginning Balance	Net Borrowings	Ending Balance	Beginning Balance	Net Borrowings	Ending Balance
Intragovernmental <sup>(Note 11)</sup>						
Borrowing from Treasury	\$ 2,186	\$ (56)	\$ 2,130	\$ 2,241	\$ (55)	\$ 2,186
Borrowing from FFB	-	908	908	-	-	-
Appropriated capital	3,682	284	3,966	3,428	254	3,682
Refinanced and additional	3,861	111	3,972	3,951	(90)	3,861
Capitalization adjustment	1,797	(65)	1,732	1,861	(64)	1,797
Subtotal	\$ 11,526	\$ 1,182	\$ 12,708	\$ 11,481	\$ 45	\$ 11,526
Non-Federal projects <sup>(Note 11)</sup>	6,267	(101)	6,166	6,427	(160)	6,267
Total debt	\$ 17,793	\$ 1,081	\$ 18,874	\$ 17,908	\$ (115)	\$ 17,793

*Borrowing from Treasury*

To finance its capital programs, BPA is authorized by Congress to issue to Treasury up to \$7,700 million of interest-bearing debt with terms and conditions comparable to debt issued by U.S. Government corporations. A portion (\$1,250 million) is reserved for conservation and renewable resource loans and grants. As of September 30, 2009, and September 30, 2008, of the total \$2,130 million and \$2,186 million of outstanding debt respectively, \$678 million and \$726 million, respectively, were conservation and renewable resource loans and grants (including the Corps, Bureau of Reclamation and U.S. Fish and Wildlife capital investments). The weighted average interest

rates for Treasury borrowing as of September 30, 2009, and September 30, 2008, were 4.97 percent and 5.23 percent, respectively. The fair value of BPA's long-term debt, based on discounting future cash flows using rates offered by Treasury to BPA as of September 30, 2009, and September 30, 2008, for similar maturities, exceeds carrying value by approximately \$190 million and \$110 million, respectively.

*Borrowing from the FFB*

To finance its loan programs, the Department is required to use the FFB for the ATVM program and the 100% loan guarantees of the Title XVII program. As of September 30, 2009, the

maturity range of the debt was from August 15, 2016, to June 15, 2022, and the interest rate range was from 2.463 percent to 3.138 percent.

### Appropriated Capital

Appropriated capital owed represents the balance of appropriations provided to the Department's PMAs for construction, operation, and maintenance of power facilities which will be repaid to Treasury's General Fund and the Department of the Interior's (Interior) Reclamation Fund. The amount owed also includes accumulated interest on the net unpaid Federal investment in the power projects. The Federal investment in these facilities is to be repaid within 50 years from the time the facilities are placed in service or are commercially operational. Replacements of Federal investments are generally expected to be repaid over their useful service lives. There is no requirement for repayment of a specific amount of Federal investment on an annual basis.

Each of the PMAs, except for BPA, receives an annual appropriation to fund construction, operation, and maintenance expenses. These appropriated funds are repaid to Treasury's General Fund and Interior from the revenues generated from the sale of power and transmission services. To the extent that funds are not available for payment, such unpaid annual net deficits become payable from the subsequent years' revenues prior to any repayment of Federal investment. The Department treats these appropriations as a debt owed to Treasury's General Fund and Interior, and as such, the *Consolidated Statements of Changes in Net Position* do not reflect these funds as appropriated capital used.

Except for the appropriation refinancing asset described in Note 6 and in the next paragraph, the Department's financial statements do not reflect the Federal investment in power generating facilities owned by the Corps; the Department of the Interior, Bureau of Reclamation; and the Department of State, International Boundary and Water Commission. The Department's PMAs, except BPA, are responsible for collecting, and remitting to Treasury, revenues resulting from the sale of hydroelectric power generated by these facilities (see Note 26). BPA makes annual payments to Treasury from its net proceeds.

### Refinanced and Additional Appropriations

As discussed in Note 6, BPA refinanced its unpaid capital appropriations as of September 30, 1996, and is responsible for

the repayment of additional appropriated capital investment post-Refinancing Act. The weighted average interest rate on outstanding appropriations was 6.5 and 6.6 percent as of September 30, 2009, and September 30, 2008, respectively. The remaining periods of repayment on the FY 2009 balances for refinanced appropriations and on additional appropriations are 37 and 50 years, respectively. Repayment amounts were determined based on the date the respective facilities were placed in service using the weighted average service lives of the associated investments, not to exceed 50 years. BPA repays amounts owed to Treasury's General Fund and Interior's Reclamation Fund.

### Capitalization Adjustment

The amount of appropriations refinanced as a result of the BPA Appropriations Refinancing Act of 1996 was \$6.6 billion. After refinancing, the appropriations outstanding were \$4.1 billion. The difference between the appropriated debt before and after the refinancing was recorded as a capitalization adjustment. This adjustment is being amortized over 40 years of which 27 years remain.

### Non-Federal Projects

As discussed in Notes 6 and 10, the non-Federal projects debt primarily represents BPA's liability to pay all or part of the annual budgets of the generating capability of one operating and three non-operating nuclear power plants as well as one operating and one terminated hydroelectric project. Debt service costs are included in the annual budget of two out of three of the non-operating nuclear plants. The majority of BPA's non-Federal projects debt is with Energy Northwest for which the fair value exceeds recorded value by \$647 million and \$39 million, as of September 30, 2009, and September 30, 2008, respectively. The valuations are based on discounted future cash flows using interest rates for similar debt which could have been issued at September 30, 2009, and September 30, 2008, respectively. The weighted average interest rate was 5.3 percent on the major portion of outstanding non-Federal projects debt as of September 30, 2009 and September 30, 2008, respectively.

The following table summarizes future principal payments required for the debt described above.

(\$ in millions)						
Fiscal Year	Borrowing from Treasury	Borrowing from FFB	Appropriated Capital	Refinanced Appropriations	Capitalization Adjustment	Non-Federal Projects
2010	\$ 365	\$ -	13	4	65	325
2011	325	-	111	21	65	309
2012	265	25	28	25	65	468
2013	123	93	29	18	65	565
2014	103	93	109	19	65	655
2015+	949	697	3,676	3,885	1,407	3,844
<b>Total</b>	<b>\$ 2,130</b>	<b>\$ 908</b>	<b>\$ 3,966</b>	<b>\$ 3,972</b>	<b>\$ 1,732</b>	<b>\$ 6,166</b>

### 13. Deferred Revenues and Other Credits

(\$ in millions)		
	FY 2009	FY 2008
Intragovernmental	\$ 31	\$ 37
Nuclear Waste Fund <sup>(Note 11)</sup>	26,152	24,510
Power marketing administrations	843	954
Reimbursable work advances	330	323
Other	131	43
Subtotal	\$ 27,456	\$ 25,830
<b>Total deferred revenues and other credits</b>	<b>\$ 27,487</b>	<b>\$ 25,867</b>

#### Nuclear Waste Fund

NWF revenues are accrued based on fees assessed against owners and generators of high-level radioactive waste and spent nuclear fuel and interest accrued on investments in Treasury securities. These revenues are recognized as a financing source as costs are incurred for NWF activities. Revenues that exceed the NWF expenses are deferred.

industries benefits that reflect a contractual liability to certain customers through FY 2011. Other primary components include regulatory liabilities that reduce future rates, amounts paid to BPA from participants under: 1) alternating current intertie capacity agreements; 2) generator funds held as security for network upgrades that will be returned as credits against future transmission service; and 3) fiber optic leasing fees that reflect unearned revenue related to the leasing of the fiber optic cable.

#### Power Marketing Administrations

PMA deferred revenues and other credits primarily represent advances received from BPA's customers and Direct-service

### 14. Other Liabilities

(\$ in millions)		
	FY 2009	FY 2008
Intragovernmental		
Oil held for Department of Defense <sup>(Notes 2 and 8)</sup>	\$ 123	\$ 123
Other	113	120
<b>Total other intragovernmental liabilities</b>	<b>\$ 236</b>	<b>\$ 243</b>
Environment, safety, and health compliance activities <sup>(Notes 11 and 24)</sup>	\$ 1,587	\$ 1,666
Accrued payroll, benefits, and withholding taxes	1,240	1,105
Residential Exchange	714	918
Naval Petroleum Reserve Deposit Fund <sup>(Note 2)</sup>	323	323
Petroleum Pricing Violation Escrow Fund <sup>(Note 2)</sup>	254	252
Asset retirement obligations	163	160
Other	325	349
Subtotal	\$ 4,606	\$ 4,773
<b>Total other liabilities</b>	<b>\$ 4,842</b>	<b>\$ 5,016</b>



Environment, Safety, and Health Compliance Activities

The Department's environment, safety, and health (ES&H) liability represents those activities necessary to bring facilities and operations into compliance with existing ES&H laws and regulations (e.g., Occupational Safety and Health Act; Clean Air Act; Safe Drinking Water Act). Types of activities included in the estimate relate to the following: upgrading site-wide fire and radiological programs; nuclear safety upgrades; industrial hygiene and industrial safety; safety related maintenance; emergency preparedness programs; life safety code improvements; and transportation of radioactive and hazardous materials. The estimate covers corrective actions expected to be performed in future years for programs outside the purview of the Department's EM Program. ES&H activities within the purview of the EM program are included in the environmental liability estimate. The September 30, 2009, change in the ES&H liability is due to: (1) additional corrective actions, activities, or programs that are required to improve the facilities' state of compliance and move them toward full compliance, or conformance with all applicable ES&H laws, regulations, agreements, and the Department's orders; (2) revised cost estimates for existing ES&H activities; and (3) costs of work performed during the year.

Accrued Payroll, Benefits, and Withholding Taxes

Accrued payroll and benefits represent amounts owed to the Department's Federal and contractor employees for accrued payroll, unfunded accrued annual leave for Federal employees, payroll withholdings owed to state and local governments, and Thrift Savings Plan withholdings and employer contributions.

Residential Exchange

BPA recorded a regulatory liability for the Lookback Amount overpaid to IOUs under prior year settlement agreements that will be returned to qualifying consumer-owned utilities as determined under the WP-07 Supplementary Rate Case and the Final ROD. BPA also recorded as part of the regulatory liability, other amounts due as specified in the Final ROD issued September 22, 2008. These amounts are owed to consumer-owned utilities that will be returned to them in future years as determined through the annual rate setting process.

Asset Retirement Obligations

Asset retirement obligations (AROs) primarily represent BPA's legal obligations related to dismantlement and restoration costs on non-Federally owned or operated nuclear facilities. The AROs relate primarily to Columbia Generating Station (CGS) decommissioning and site restoration, terminated Energy Northwest Project Nos. 1 and 4 site restoration, and decommissioning costs for the former Trojan nuclear power plant, which has been dismantled. Included in BPA's non-intragovernmental other assets are trust fund balances for the CGS and Energy Northwest AROs. BPA has also recognized a non-intragovernmental regulatory asset for funding the Trojan ARO liability. BPA recovers all ARO costs through rates charged to customers.

Other Liabilities

The balance consists primarily of liabilities associated with custodial and non-custodial deposit funds, suspense accounts, receipts due to Treasury, and contract advances.

**15. Environmental Cleanup and Disposal Liabilities**

	(\$ in millions)	
	<b>FY 2009</b>	<b>FY 2008</b>
Environmental Management Program	\$ 180,071	\$ 185,503
Other legacy environmental liabilities	57,734	51,173
Total legacy environmental liabilities	237,805	236,676
Active and surplus facilities	29,852	29,405
Total environmental cleanup and disposal liabilities	\$ 267,657	\$ 266,081
Amount funded by current appropriations	(4,905)	(2,451)
Total unfunded environmental cleanup and disposal liabilities	\$ 262,752	\$ 263,630

*Changes in environmental cleanup and disposal liabilities*

Total environmental cleanup and disposal liabilities, beginning balance	\$ 266,081	\$ 263,603
Changes to environmental cleanup and disposal liability estimates		
Environmental Management Program	944	2,785
Other legacy environmental liabilities	7,244	6,108
Active and surplus facilities	502	307
Total changes in estimates (Notes 23 and 24)	\$ 8,690	\$ 9,200
Costs applied to reduction of legacy environmental liabilities (Note 22)	(5,639)	(5,313)
Capital expenditures related to remediation activities	(1,475)	(1,409)
Total environmental cleanup and disposal liabilities	\$ 267,657	\$ 266,081

During World War II and the Cold War, the U.S. developed a massive industrial complex to research, produce, and test nuclear weapons. The nuclear weapons complex included nuclear reactors, chemical processing buildings, metal machining plants, laboratories, and maintenance facilities that manufactured tens of thousands of nuclear warheads and conducted more than one thousand nuclear tests.

At all sites where these activities took place, some environmental contamination occurred. This contamination was caused by the production, storage, and use of radioactive materials and hazardous chemicals, which resulted in contamination of soil, surface water, and groundwater. The environmental legacy of nuclear weapons production also includes thousands of contaminated buildings and large volumes of waste and special nuclear materials requiring treatment, stabilization, and disposal. Approximately one-half million cubic meters of radioactive high-level, mixed, and low-level wastes must be stabilized, safeguarded, and dispositioned, including a quantity of plutonium sufficient to fabricate thousands of nuclear weapons.

*Assumptions and Uncertainties*

Estimating the Department's environmental cleanup liability requires making assumptions about future activities and is inherently uncertain. The future course of the Department's environmental cleanup and disposal will depend on a number of fundamental technical and policy choices, many of which have not been made. The cost and environmental implications of alternative choices can be profound. For example, some contaminated sites and facilities could be restored to a condition suitable for any desired use; they could also be restored to a point where they pose no near-term

health risks to surrounding communities but are essentially surrounded by fences and left in place. Achieving the former conditions would have a higher cost but may, or may not, warrant the costs, or be legally required. The estimates reflect applicable decisions and current expectations as to the extent of cleanup and site and facility reuse, which include consideration of Congressional mandates, regulatory direction, and stakeholder input. The environmental liability estimates include contingency estimates intended to account for the uncertainties associated with the technical cleanup scope of the program.

The environmental liability estimates are dependent on annual funding levels and achievement of work as scheduled. Congressional appropriations at lower than anticipated levels or unplanned delays in project completion would cause increases in life-cycle costs.

The liabilities as of September 30, 2009, and September 30, 2008, are stated in FY 2009 dollars and FY 2008 dollars, respectively, as required by generally accepted accounting principles for Federal entities. Future inflation could cause actual costs to be substantially higher than the recorded liability.

*Components of the Liability**Environmental Management Program Estimates*

EM is responsible for managing the legacy of contamination from the nuclear weapons complex. As such, EM manages thousands of contaminated facilities formerly used in the nuclear weapons program, oversees the safe management of large quantities of radioactive waste and nuclear materials, and is responsible for the cleanup of large volumes of contaminated soil and water. The FY 2009 EM life-cycle cost estimate reflects a strategic vision

to complete this cleanup mission. This strategy provides for a site-by-site projection of the work required to complete all EM projects, while complying with regulatory agreements, statutes, and regulations. These projections have been documented in detailed plans. Each project estimate includes detailed projections of the technical scope, schedule, and estimable costs at each site for the cleanup of contaminated soil, groundwater, and facilities; treating, storing, and disposing of wastes; and managing nuclear materials. The estimates also include costs for related support activities such as landlord responsibilities, program management, grants and cooperative agreements for participation and oversight by Native American tribes, regulatory agencies, and other stakeholders.

Over the past several years a number of management reforms have been implemented within the EM program. These reforms include: (1) redefining and aligning acquisition strategies; (2) instituting robust project management practices and procedures in executing the cleanup program; and (3) implementing a strict configuration control system for key management parameters of the cleanup program. In FY 2009, progress towards improving efficiency and management of the program continued. Field offices have prepared technical estimates that describe in detail the activities, schedule, and resources required to complete the EM cleanup mission at the respective sites. In addition, EM has implemented an earned value management reporting system to continuously evaluate whether cleanup progress remains on schedule and within budget. In addition to the assumptions and uncertainties discussed above, the following key assumptions and uncertainties relate to the EM estimates:

- The Department has identified approximately 10,500 potential release sites from which contaminants could migrate into the environment. Although virtually all of these sites have been at least partially characterized, final remedial action and regulatory decisions have not been made for many sites. Site-specific assumptions regarding the amount and type of contamination and the remediation technologies that will be utilized were used in estimating the environmental liability related to these sites.
- Cost estimates for management of the Department's high-level waste are predicated upon assumptions as to the timing and rate of acceptance of the waste at a geologic repository. Changes in high-level waste disposition plans could cause EM project costs to increase.
- Estimates are based on remedies considered technically and environmentally reasonable and achievable by local project managers and appropriate regulatory authorities.
- Estimated cleanup costs at sites for which there is no current feasible remediation approach are excluded from the estimates, although applicable stewardship and monitoring costs for these sites are included. The cost estimate would be higher if some remediation were assumed for these areas. However, because the

Department has not identified effective remedial technologies for these sites, no basis for estimating costs is available. An example of a site for which cleanup costs are excluded is the nuclear explosion test area at the Nevada Test Site.

Changes to the EM estimates during FY 2009 and FY 2008 resulted from inflation adjustments to reflect constant dollars for the current year; improved and updated estimates for the same scope of work, including changes resulting from deferral or acceleration of work; revisions in technical approach or scope, including provisions for increases in the cost and duration of high-level waste programs and related increases in contingency estimates; regulatory changes; cleanup activities performed; scope transfers into the EM estimates; and additions for facilities transferred from the active and surplus category discussed below.

### Other Legacy Environmental Liabilities

The NWPA established the Department's responsibility to provide for permanent disposal of the Nation's high-level radioactive waste and spent nuclear fuel. The Act requires all owners and generators of high-level nuclear waste and spent nuclear fuel, including the Department, to pay their respective shares of the full cost of the program. To that end, the Act establishes a fee on owners and generators that the Department must collect and annually assess to determine its adequacy. The Department's liability reflects its share of the estimated future costs of the program based on its inventory of high-level waste and spent nuclear fuel. The Department's liability does not include the portion of the cost attributable to other owners and generators.

Changes to the high-level waste and spent nuclear fuel disposition liability during FY 2009 and FY 2008 resulted from inflation adjustments to reflect current year constant dollars, revisions in technical approach or scope, changes in the Department's allocable percentage share of future costs, and actual costs incurred by the Department that were allocated to the Department's share of the liability.

Other legacy liabilities include the estimated cleanup and post-closure responsibilities, including surveillance and monitoring activities, soil and groundwater remediation, and disposition of excess material for sites after the EM program activities have been completed. The Office of Legacy Management (LM) is responsible for the legacy activities at many of the EM closure sites as well as other sites (former uranium mills and certain sites remediated by the Corps). The costs for these post-closure activities are estimated for a period of 75 years after the balance sheet date, i.e., through 2084 in FY 2009 and through 2083 in FY 2008. While some post-cleanup monitoring and other long-term stewardship activities past 2084 are included in the liability, there are others the Department expects to continue beyond 2084 for which the costs cannot reasonably be estimated.

Also included in these liabilities are estimates for the disposition of various materials. The most significant of these materials is surplus plutonium.

The Low-Level Radioactive Waste Policy Amendments Act of 1985 assigned responsibility to the Department for the disposal of commercially generated low-level wastes not suitable for near-surface disposal. Although a final disposal path for this waste has not yet been determined, estimated costs for the range of disposal options being evaluated have been included in the liability.

### Active and Surplus Facilities

This liability includes anticipated remediation costs for active and surplus facilities managed by the Department's ongoing program operations and which will ultimately require stabilization, deactivation, and decommissioning. The estimate is largely based upon a cost-estimating model which extrapolates stabilization, deactivation, and decommissioning costs from facilities included in the EM estimates to those active and surplus facilities with similar characteristics. Site-specific estimates are used when available. Cost estimates for active and surplus facilities are updated each year to reflect current year constant dollars; the transfer of cleanup and management responsibilities for these facilities by other programs to EM, as discussed above; changes in facility size

or contamination assessments; and estimated cleanup costs for facilities. For facilities newly contaminated since FY 1997, cleanup costs allocated to future periods and not included in the liability amounted to \$627 million at September 30, 2009, and \$698 million at September 30, 2008.

In September 2006, the Federal Accounting Standards Advisory Board (FASAB) issued Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, which requires Federal agencies to estimate and record liabilities by FY 2010 for removal and disposal of asbestos, including non-friable (not easily crumbled) asbestos, from their plant and equipment, where removal and disposal during or prior to demolition is legally required. The Department has already recorded such liabilities for a sizable portion of its facilities, including facilities that are in the EM cleanup program, active and surplus facilities contaminated with radioactive or hazardous wastes, and other facilities containing friable asbestos (Note 14, environment, safety and health compliance activities). In September 2009, FASAB issued Technical Bulletin 2009-1 which deferred for two years, the effective date of Technical Bulletin 2006-1. The Department will recognize in FY 2012 an additional liability for asbestos mitigation in its remaining facilities in accordance with the provisions of the Technical Bulletin, but has not determined the amount of the additional liability.

## **16. Pension and Other Actuarial Liabilities**

	(\$ in millions)	
	<b>FY 2009</b>	<b>FY 2008</b>
Contractor pension plans	\$ 12,756	\$ 3,165
Contractor postretirement benefits other than pensions	11,874	9,071
Contractor disability and life insurance plans	18	20
Federal Employees' Compensation Act	96	106
<b>Total pension and other actuarial liabilities</b>	<b>\$ 24,744</b>	<b>\$ 12,362</b>

Most of the Department's major contractors sponsor defined benefit pension plans which promise to pay specified benefits to their employees, such as a percentage of the final average pay for each year of service. The Department's allowable costs under these contracts include reimbursement of annual contractor contributions to these pension plans. Most of the contractors also sponsor PRB consisting of predominantly postretirement health care benefits. The Department approves, for cost reimbursement purposes, these contractors' pension and postretirement benefit plans and is responsible for the allowable costs of funding the plans. The Department also reimburses these contractors for employee disability insurance plans, and estimates are recorded as unfunded liabilities for these plans.

### Contractor Pension Plans

The Department follows FASB ASC 715, Compensation – Retirement Benefits, for contractor plans for which the Department has a continuing obligation to reimburse allowable costs. As of September 30, 2009, the Department reports contractor pension assets of \$43 million and contractor pension liabilities of \$12,756 million. The Department has a continuing obligation to reimburse allowable costs for a variety of contractor-sponsored pension plans (41 qualified and 10 nonqualified). In this regard, benefit formulas consist of final average pay (36 plans), career average pay (8 plans), dollar per month of service (6 plans), and one defined contribution plan with future contributions for retired employees. Twenty-two of the plans cover nonunion employees only; 9 cover union employees only; and 20 cover both union and nonunion employees.



For qualified defined benefit pension plans, the Department's current funding policy is to reimburse contractors for contributions made by the contractors to defined benefit pension plans sponsored by the contractors. Contractors are required to make contributions to their plans as required by the Internal Revenue Code, the ERISA, as amended, and Departmental direction. For nonqualified plans, the funding policy is pay-as-you-go.

Plan assets generally include cash and equivalents, stocks, corporate bonds, government bonds, real estate, venture capital, international investments, and insurance contracts. There is one plan that has securities of the employer or related parties included in the plan assets. No assets are expected to be returned to the employers during the next FY.

*Assumptions and Methods* – Contractors use their own actuarial assumptions for determining required contributions to employee pension plans. However, in order to provide consistency among the Department's various contractors for financial reporting purposes, the Department requires the use of certain standardized actuarial assumptions. These standardized assumptions include the discount rates, mortality assumptions, and an expected long-term rate of return on plan assets, salary scale, and any other economic assumption consistent with an expected long-term inflation rate of 3.0 percent for the entire U.S. economy with adjustments to reflect regional or industry rates as appropriate. In most cases, ERISA valuation actuarial assumptions for demographic assumptions were used.

The following specific assumptions and methods were used to determine the net periodic cost. The weighted average discount rate was 7.5 percent for FY 2009 and 6.25 percent for FY 2008; the average long-term rate of return on assets was 7.68 percent for FY 2009 and 7.5 percent for FY 2008; and the average rate of compensation increase was 4.8 percent for FY 2009 and 4.6 percent for FY 2008. The average long-term rate of return on assets shown above is the average rate for all of the contractor plans. Each contractor develops its own average long-term rate of return on assets based on the specific investment profile of the specific plans it sponsors. Therefore, there is no one overall approach to setting the rate of return for each of the contractors' plans.

The weighted average discount rates used to determine the benefit obligations as of September 30, 2009, and September 30, 2008, were 5.5 percent and 7.5 percent, respectively.

The aggregate September 30, 2009, accumulated benefit obligation and aggregate fair value of plan assets for plans with accumulated benefit obligations in excess of plan assets are \$29,171 million and \$19,820 million, respectively. The aggregate September 30, 2009, projected benefit obligation and aggregate fair value of plan assets for plans with projected

benefit obligations in excess of plan assets are \$34,106 million and \$21,350 million, respectively.

Since the Department reports under Federal accounting requirements, newly measured net prior service costs/(credits) and net (gains)/losses are recognized immediately as components of net periodic cost rather than classified as other comprehensive income under FASB ASC 715 and later amortized and included as components of net periodic cost. All components of the net periodic cost are recognized in the *Consolidated Statements of Net Costs*. Service costs are recorded by program and all other net periodic costs are recorded as costs not assigned (see Note 23). If the Department classified these costs as other comprehensive income, the amortization of the net transition (asset)/obligation, the net prior service cost/(credit), and the net (gain)/loss for the defined benefit pension plans that would have been included in the net periodic cost would have been (\$90) million, \$94 million, and \$22 million in FY 2009, and (\$90) million, \$93 million and \$4 million in FY 2008, respectively. Additional amortization of \$3 million and \$100 million due to curtailments and settlements would also have been included in FY 2009 and 2008, respectively. The estimated amortization of the net transition (asset)/obligation, the net prior service cost/(credit), and the net (gain)/loss that would have been included in the net periodic cost in FY 2010 are (\$90) million, \$93 million, and \$672 million, respectively.

#### Contractor Postretirement Benefits Other Than Pensions

The Department follows FASB ASC 715, Compensation – Retirement Benefits, for contractor plans for which the Department has a continuing obligation to reimburse allowable costs. The Department accrues the cost of PRB during the years that the employees render service. As of September 30, 2009, the Department reports contractor PRB assets of \$11 million and contractor PRB liabilities of \$11,874 million. Generally, the PRB plans are unfunded, and the Department's funding policy is to fund on a pay-as-you-go basis. There are six contractors, however, that are prefunding benefits in part as permitted by law. The Department's contractors sponsor a variety of postretirement benefits other than pensions. Benefits consist of medical (41 contractors), dental (19 contractors), life insurance (23 contractors), and Medicare Part B premium reimbursement (5 contractors). Forty of the contractors sponsor a point of service plan, a Preferred Provider Organization (PPO), a Health Maintenance Organization (HMO), or similar plan. Twenty-two of these also have a traditional indemnity or similar plan. One additional contractor has only a traditional indemnity or similar plan.

None of the contractors with assets for PRB had any employer securities. No assets are expected to be returned to the employers during the next FY.

*Assumptions and Methods* - In order to provide consistency among the Department's various contractors, certain standardized actuarial assumptions were used. These standardized assumptions include medical and dental trend rates, discount rates, and mortality assumptions.

The following specific assumptions and methods, with respect to trends in the costs of medical and dental benefit plans, were used in determining the PRB estimates. The medical trend rates for a point of service plan, an HMO, a PPO, or similar plan, grade from 9.0 percent in 2009 down to 5.0 percent in 2017 and later. The medical trend rates for a traditional indemnity plan, or similar plan, grade from 10.0 percent in 2009 down to 5.0 percent in 2017 and later. The dental trend rates at all ages grade down from 6.5 percent in 2009 to 5.0 percent in 2015 and later.

The weighted average discount rates of 7.5 percent for FY 2009 and 6.25 percent for FY 2008, and the average long-term rate of return on assets of 6.67 percent for FY 2009 and 6.38 percent for FY 2008 were used to determine the net periodic cost. The rate of compensation increase was the same rate as each contractor used to determine pension contributions. The average long-term rate of return on assets shown above is the average rate for all of the contractor plans. Each contractor develops its own average long-term rate of return on assets based on the specific investment profile of the specific plans it sponsors. Therefore, there is no one overall approach to setting the rate of return for each of the contractors' plans.

The weighted average discount rates used to determine the benefit obligation as of September 30, 2009, and September 30, 2008, were 5.5 percent and 7.5 percent, respectively.

The September 30, 2009, aggregate accumulated benefit obligation and aggregate fair value of plan assets for plans with accumulated benefit obligations in excess of plan assets are \$12,019 million and \$146 million, respectively.

Since the Department reports under Federal accounting requirements, newly measured net prior service costs/(credits) and net (gains)/losses are recognized immediately as components of net periodic cost rather than classified as other comprehensive income under FASB ASC 715 and later amortized and included as components of net periodic cost. All components of the net periodic cost are recognized in the *Consolidated Statements of Net Costs*. Service costs are recorded by program and all other net periodic costs are recorded as costs not assigned (see Note 23). If the Department classified these costs as other comprehensive income, the amortization of the net prior service cost/(credit) and the net (gain)/loss for the PRB plans that would have been included in the net periodic cost would have been (\$110) million and (\$94) million in FY 2009, and (\$84) million and \$29 million in FY 2008, respectively. Additional amortization of (\$12) million and \$0.3 million due to curtailments and settlements would also have been included in FY 2009 and 2008, respectively. The estimated amortization of the net prior service cost/(credit) and the net (gain)/loss that would have been included in the net periodic cost in the FY 2010 are (\$124) million and \$93 million, respectively.

On December 8, 2003, the President signed into law the Medicare Prescription Drug, Improvement and Modernization Act of 2003. The law provides for a Federal subsidy to sponsors of retiree healthcare benefit plans that provide a benefit at least actuarially equivalent to the benefit established by the law. There are currently 29 contractors that have concluded that their plans are at least actuarially equivalent [including 3 that also have plans providing a Medicare Part D prescription drug plan (PDP) or Medicare Advantage plans]. There are 8 plans that do not benefit retirees over 65, 2 plans have determined they are not actuarially equivalent, and 2 plans provide a PDP or Medicare Advantage plan. Generally, the Department has reflected the impact of the subsidy as a reduction to the employers' cost of the benefits.

(\$ in millions)				
	Pension Benefits		Other Postretirement Benefits	
	FY 2009	FY 2008	FY 2009	FY 2008
<i>Net amount recognized in the balance sheet</i>				
Accumulated benefit obligation	\$ 30,863	\$ 21,840		
Effect of future compensation increases	3,618	2,551		
Benefit obligation	\$ 34,481	\$ 24,391	\$ 12,026	\$ 9,223
Plan assets	21,768	22,387	163	163
Net amount recognized in the balance sheet (net funded status)	\$ (12,713)	\$ (2,004)	\$ (11,863)	\$ (9,060)
<i>Reconciliation of amounts recognized in the balance sheet</i>				
Asset (prepaid pension plan costs) <sup>(Note 10)</sup>	\$ 43	\$ 1,161	\$ 11	\$ 11
Liability	(12,756)	(3,165)	(11,874)	(9,071)
Net amount recognized in the balance sheet (net funded status)	\$ (12,713)	\$ (2,004)	\$ (11,863)	\$ (9,060)
<i>Components of net periodic costs</i>				
Service costs <sup>(Note 24)</sup>	\$ 593	\$ 711	\$ 171	\$ 217
Interest costs	1,839	1,711	650	645
Expected return on plan assets	(1,793)	(2,056)	(9)	(9)
(Gain)/loss due to curtailments, settlements or special termination benefits	(1)	(127)	1	8
Net prior service cost/(credit)	36	(72)	(473)	2
Net (gain)/loss	10,789	2,147	2,853	(1,768)
Total net periodic costs	\$ 11,463	\$ 2,314	\$ 3,193	\$ (905)
<i>Contributions and benefit payments</i>				
Employer contributions <sup>(Note 24)</sup>	\$ 750	\$ 351	\$ 389	\$ 354
Participant contributions	3	3	86	84
Benefit payments	1,372	1,482	487*	450*

\* Includes \$12 million paid from plan assets for FY 2009, and \$12 million paid from plan assets for FY 2008. For FY 2009, gross benefit payments were \$501 million including \$14 million of Federal Medicare subsidy. This resulted in net benefit payments of \$487 million for FY 2009.

(\$ in millions)			
	Pension Benefits		Other Postretirement Benefits
<i>Expected contributions for fiscal year ending September 30, 2010</i>			
Employer contributions	\$	1,103	\$ 442
Participant contributions		5	101

	Pension Benefits		Other Postretirement Benefits		
			Gross Payment	Less Federal Medicare Subsidy	Net Payment
<i>Estimated future benefit payments</i>					
Fiscal Year 2010	\$	1,455	\$ 573	\$ 23	\$ 550
Fiscal Year 2011		1,544	624	26	598
Fiscal Year 2012		1,634	677	29	648
Fiscal Year 2013		1,726	732	32	700
Fiscal Year 2014		1,830	790	36	754
Fiscal Years 2015 to 2019		10,808	4,754	237	4,517

The following chart shows the average target allocation for the 39 pension benefit plans and six other postretirement benefit plans with assets. The average actual FY 2009 and 2008 allocations of assets are also shown.

Asset Category	Pension Benefits			Other Postretirement Benefits		
	Target Allocation	Percent of Plan Assets at end FY 09	Percent of Plan Assets at end FY 08	Target Allocation	Percent of Plan Assets at end FY 09	Percent of Plan Assets at end FY 08
Cash and Equivalents	1.8%	3.5%	2.6%	0.7%	0.6%	1.1%
Government Bonds	3.3%	5.7%	8.4%	6.7%	6.9%	12.9%
High-yield Corporate Bonds	3.2%	0.9%	1.8%	0.0%	0.0%	0.0%
Corporate Bonds other than high-yield	17.3%	16.2%	13.6%	8.5%	8.5%	12.9%
Domestic Equities	34.0%	33.8%	35.6%	9.2%	9.1%	9.2%
International Equities	13.8%	15.8%	15.3%	7.2%	7.2%	6.6%
Real Estate	2.1%	1.8%	2.0%	0.0%	0.0%	1.0%
Mortgage-Backed Securities	1.0%	2.0%	3.8%	0.0%	0.0%	4.3%
Auction Rate Securities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asset-Backed Commercial Paper	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%
Bonds/Notes Issued by Structured Investment Vehicle						
or Other Special-Purpose Entities	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%
Derivatives, including CDO and Credit Default Swaps	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%
Private Investment Funds, including Hedge Funds	1.9%	1.4%	1.3%	0.0%	0.0%	0.0%
Insurance Contracts (general accounts)	5.6%	5.6%	10.1%	66.7%	66.7%	50.0%
Insurance Contracts (separate accounts)	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%
Employer Securities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Common Collective Trusts	7.7%	7.7%	N/A	N/A	N/A	N/A
Aggregate Bond Index, Long Bond Index	4.7%	4.7%	N/A	N/A	N/A	N/A
Other	3.6%	.7%	5.1%	1.0%	1.0%	1.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Each contractor develops its own investment policies and strategies for the plans it sponsors. Therefore, there is no one overall investment policy for the contractors' plans. Generally, their objectives provide for benefit security for plan participants through the maximization of total returns while limiting risk and providing liquidity coverage of benefit payments.

## 17. Capital Leases

	(\$ in millions)	
	FY 2009	FY 2008
Summary of assets under capital lease:		
Power line equipment	\$ 153	\$ 136
Buildings and improvements	26	26
ADP equipment	319	346
Construction work in progress	148	55
Other assets	138	55
Total capital lease assets	\$ 784	\$ 618
Less accumulated depreciation	(151)	(143)
Net assets under capital leases	\$ 633	\$ 475

Fiscal Year	Power Line Equipment	Other	Total
2009 4th quarter & 2010	\$ 24	\$ 59	\$ 83
2011	24	37	61
2012	23	15	38
2013	23	-	23
2014	113	-	113
2015+	520	-	520
Total future lease payments	\$ 727	\$ 111	\$ 838
Less imputed interest	(263)	(4)	(267)
Less executory costs	(2)	(1)	(3)
Net capital lease liability	\$ 462	\$ 106	\$ 568
Lease liabilities covered by budgetary resources			\$ 461
Lease liabilities not covered by budgetary resources			\$ 107
Net capital lease liability			\$ 568



**18. Contingencies and Commitments**

	(\$ in millions)	
	FY 2009	FY 2008
Unfunded contingencies		
Spent nuclear fuel litigation	\$ 13,147	\$ 12,335
Other	41	53
<b>Subtotal</b> (Note 11)	<b>\$ 13,188</b>	<b>\$ 12,388</b>
Funded contingencies		
Other	34	-
<b>Total contingencies and commitments</b>	<b>\$ 13,222</b>	<b>\$ 12,388</b>

The Department is a party in various administrative proceedings, legal actions, and tort claims which may ultimately result in settlements or decisions adverse to the Federal Government. The Department has accrued contingent liabilities where losses are determined to be probable and the amounts can be estimated. Other significant contingencies exist where a loss is reasonably possible or where the loss is probable and an estimate cannot be determined. In some cases, a portion of any loss that may occur may be paid from Treasury's Judgment Fund. The Judgment Fund is a permanent, indefinite appropriation available to pay judgments against the Government. The following are significant contingencies:

*Spent Nuclear Fuel Litigation*

In accordance with the NWPA, the Department entered into contracts with more than 45 utilities in which, in return for payment of fees into the NWF, the Department agreed to begin disposal of spent nuclear fuel (SNF) by January 31, 1998. Because the Department has no facility available to receive SNF under the NWPA, it has been unable to begin disposal of the utilities' SNF as required by the contracts. Significant litigation claiming damages for partial breach of contract has ensued as a result of this delay.

To date, eleven suits have been settled involving utilities that collectively produce about 44 percent of the nuclear generated electricity in the United States. Under the terms of the settlements, the Judgment Fund, 31 U.S.C. 1304, paid \$532 million through September 30, 2009. In addition, four cases have been resolved by final judgments: a judgment of \$35 million that was not appealed and paid by the Judgment Fund in FY 2006; and three final judgments awarding no damages affirmed by the appellate court.

The Department's spent nuclear fuel litigation liability is updated to include the effects of final judgments and settlements as well as payments to date from the Judgment fund. Additional payments under these settled and adjudicated cases may be made if the utilities incur additional costs before the Department permanently disposes of the spent nuclear fuel. The Department believes its assumptions and methodology provide a reasonable basis for the contingent liability estimate.

Fifty-one cases remain pending either in the Court of Federal Claims or in the Court of Appeals for the Federal Circuit.

Liability is probable in these cases, and in many of these cases orders have already been entered establishing the Government's liability and the only outstanding issue to be litigated is ascertaining the amount of damages to be awarded. The industry is reported to estimate that damages for all utilities with which the Department has contracts ultimately will be at least \$50 billion. The Department believes that the industry's estimate is highly inflated and that the disposition of the twenty eight cases that have either been settled or subject to a judgment in the trial court suggests that the Government's ultimate liability is likely to be significantly less than that estimate. Accordingly, based on these settlement estimates, the total liability estimate is \$13.7 billion. After deducting the amount paid as of September 30, 2009, under these settlements and as a result of final judgments, a total of \$567 million, the remaining liability is estimated to be approximately \$13.1 billion. Under current law, any damages or settlements in this litigation will be paid out of the Judgment Fund. The Department's contingent liability estimate for SNF litigation is reported net of amounts paid to date from the Judgment Fund.

The Department previously reported several developments that made it difficult to reasonably predict the amount of the Government's likely liability. The courts have not resolved whether the Government can assert the unavoidable delays defense, under which, if applicable, the Government would not be liable for any damages. Furthermore, in FY 2009 the President and the Secretary announced that the repository at Yucca Mountain will not be opened and that a Blue Ribbon Commission would be established to evaluate alternatives. Future determinations on how the Department will meet its obligations under the standard contracts could materially decrease or increase the spent nuclear fuel litigation liability.

*Alleged Exposures to Radioactive and/or Toxic Substances*

A number of class action and/or multiple plaintiff tort suits have been filed against current and former DOE contractors in which the plaintiffs seek damages for alleged exposures to radioactive and/or toxic substances as a result of the historic operations of the Department's nuclear facilities. The most significant of these cases arise out of operations of the facilities at Rocky Flats, Colorado; Hanford, Washington; Paducah, Kentucky; Portsmouth (Piketon), Ohio; Mound, Ohio; and Brookhaven, New York. Collectively, in these cases, damages in excess of \$143 billion are sought.

These cases are being vigorously defended. Two cases have gone to trial. In the Rocky Flats litigation, the jury returned a substantial verdict in favor of the plaintiffs. The court has entered judgment on the verdict, and the defendants have filed appeals. In the Hanford litigation, following rulings by the court of appeals, seven of twelve “bellwether” plaintiffs’ claims were resolved in favor of the defendants, relatively small judgments entered in favor of two “bellwether” plaintiffs were affirmed, and three “bellwether” plaintiffs’ claims were remanded to the district court for further proceedings. Proceedings on the remaining Hanford plaintiffs’ claims are now continuing. Additionally, some cases have been dismissed by trial courts based on legal rulings and appealed to the courts of appeal.

### Natural Resources Damages

The Confederated Tribes of the Yakama Nation filed suit in September, 2002 against DOE and the Department of Defense alleging natural resources damages (NRD) in the 1100 area of the Hanford site. The Yakama have since amended their complaint to add the 100 and 300 areas to the suit, alleging additional natural resources damages. In addition, the States of Washington and Oregon, as well as the Confederated Tribes of the Umatilla and the Nez Perce tribe, have joined the suit. The case is in pre-trial phase. The district court has denied the Government’s motion to dismiss two of the plaintiffs’ claims on the ground that they are not ripe, but has stayed any proceedings on one of those claims. The parties filed a joint status report requesting a stay in the case through September 2009 while settlement negotiations continue. Potential losses to the Department cannot be estimated at this time.

### Cleanup and Waste Disposal at West Valley

The State of New York filed a complaint for a declaratory judgment and monetary relief, raising claims under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), the West Valley Demonstration Project Act, and the NWA. This case involves a dispute between the Department and the State of New York concerning their respective obligations for cleanup and waste disposal at West Valley. The court approved a stay of the litigation while the parties attempted to resolve the CERCLA and West Valley Demonstration Project Act claims, including by means of formal mediation. The parties have recently agreed upon a tentative settlement of these claims and the State of New York will provide the public with a 30 day comment period prior to filing with the Court. The tentative settlement includes claims under the West Valley Demonstration Project Act for which Congress previously allocated a 90% share for the Federal government in 1980. Additionally, the settlement only determines cost allocation and not actual clean-up costs, as those decisions will be made pursuant to separate processes.

### Refunds to Utility Companies

The Bonneville Power Administration (BPA) and the Western Area Power Administration (WAPA) were parties to proceedings at the FERC that sought refunds for sales into markets operated by the California Independent System Operator (ISO) and the California Power Exchange (PX) during the California energy crisis of 2000-2001. BPA along with a number of other governmental utilities challenged FERC’s refund authority over governmental utilities. In *BPA v. FERC*, 422 F.3d 908 (9th Cir. 2005) the court found that governmental utilities, like BPA and WAPA, were not subject to FERC’s statutory refund authority. As a consequence of the Court’s decision, three California investor owned utilities along with the State of California filed breach of contract claims in the U.S. Court of Federal Claims against BPA and WAPA. The complaints, filed in March of 2007, alleged that BPA and WAPA were contractually obligated to pay refunds on transactions where the agencies received amounts in excess of mitigated market clearing prices established by FERC. The plaintiff’s contractual breach is premised upon a FERC finding that it retroactively reset the prices under the ISO and PX tariffs when it established these mitigated market clearing prices. BPA and WAPA have separately appealed to the Ninth Circuit Court the FERC, finding that it retroactively reset the tariff prices. The plaintiff’s claims for relief exceed \$300 million.

### Easement on Government Land to Create a Wind Farm

Plaintiff MNS Wind Company filed a complaint in the U.S. Court of Federal Claims alleging that the Department unlawfully terminated an agreement that would have granted MNS an easement on government land to construct turbines for the purpose of creating a wind farm at the Nevada Test Site. On May 15, 2009, the Court issued its opinion denying defendant’s motion for summary judgment, granting plaintiff’s motion for partial summary judgment and finding the Government liable, leaving the issue of damages yet unaddressed. The parties were required to file a status report with the court by June 26, 2009, in which they requested 90 days for review of settlement possibilities and/or discussion of potential discovery scope should settlement be unachievable. The plaintiff seeks \$270 million in damages, plus attorney fees; however, the Department believes any damages ultimately awarded would be significantly less than the amount the plaintiff seeks.

### Off-site Waste Litigation

The State of Washington and interest groups filed complaints in District Court seeking to prevent shipment of radioactive waste by the Department to the Hanford site. The complaints alleged violations of the National Environmental Policy Act (NEPA) and the State of Washington Hazardous Waste Management Act (HWMA). In early 2005, the District Court

ruled against the U.S. on the HWMA portion of the case. The Government appealed the adverse ruling on the HWMA portion of the case, and the parties settled the NEPA portion of the case on January 6, 2006. In that settlement, the Department agreed to prepare a new environmental impact statement for its solid waste program at the Hanford site and suspend most shipments of off-site wastes to Hanford. Oral argument on the Government's HWMA appeal was heard in October 2007. The Ninth Circuit agreed with the State of Washington that mixed TRU low-level waste located at DOE sites awaiting shipment to WIPP is not exempt from the state's RCRA land disposal/storage prohibitions and the Department did not seek further appellate review of the 9th Circuit's ruling in the case.

In addition, in August 2009, as part of the negotiations regarding the proposed new settlement agreement for tank waste cleanup at Hanford, the Department indicated that the upcoming draft environmental impact statement will include a preferred alternative of not importing certain off-site radioactive, mixed radioactive and hazardous waste to Hanford until the Waste Treatment Plant is operational.

#### Purchase Power and Transmission/ Commitments and Irrigation Assistance

The PMAs have entered into commitments to sell expected generation for future dates. When the PMAs forecast a resource shortage, they plan to take necessary steps to cover the shortage, including, if appropriate, commitments to purchase power for future dates. The PMAs record expenses associated with these purchases in the periods that power is received.

As directed by legislation, BPA is required to make cash distributions to Treasury for original construction costs of certain Pacific Northwest irrigation projects that have been determined to be beyond the irrigators' ability to pay. These irrigation distributions do not specifically relate to power generation and are required only if doing so does not result in an increase to power rates.

The following table summarizes future purchase power and transmission commitments and irrigation assistance.

(\$ in millions)		
Fiscal Year	Purchase Power and Transmission	Irrigation Assistance
2010	\$ 263	\$ -
2011	247	-
2012	224	1
2013	262	59
2014	174	52
2015+	801	555
<b>Total</b>	<b>\$ 1,971</b>	<b>\$ 667</b>

The Northwest Power Act directs BPA to protect, mitigate and enhance fish and wildlife resources to the extent they are affected by Federal hydroelectric projects on the Columbia River and its tributaries. BPA makes expenditures and incurs other costs for fish and wildlife consistent with the Northwest Power Act and the Pacific Northwest Power and Conservation Council's Columbia River Basin Fish and Wildlife Program. In addition, certain species are listed under the Endangered Species Act (ESA) as threatened or endangered. BPA is financially responsible for expenditures and other costs arising from conformance with the ESA and certain biological opinions prepared by the National Oceanic and Atmospheric Administration and the Fish and Wildlife Service in furtherance of the ESA.

In May 2008, BPA, the Corps and the Bureau of Reclamation signed 10-year agreements with several Columbia River tribes, the State of Idaho and the State of Montana. The Shoshone-Bannock Tribes signed their agreement on Nov. 7, 2008. These agreements that are collectively referred to as the Columbia Basin Fish Accords provide for BPA to fund approximately \$994 million over 10 years, enabling the tribes and states to continue existing programs and to implement new priority fish projects.

In early 2009, the Ninth Circuit Court requested an Executive branch present a position on the Biological Opinion (BiOp). The administration has concluded that with an Adaptive Management Implementation Plan (AMIP), the BiOp is biologically and legally sound. The AMIP enhances the BiOp's existing adaptive management framework by employing a more precautionary approach. This means that, if ESA-listed salmon and steelhead runs unexpectedly go into significant decline, then certain specified procedures and actions are ready to address the problem.

On September 16, 2009, the BPA, Army Corps of Engineers and Bureau of Reclamation signed an agreement with the State of Washington to provide funds to improve the Columbia River estuary habitat. This agreement adds \$41 million to the \$50 million the BiOp already dedicates to estuary habitat through 2018.

BPA's first new rates since the BiOp and Fish Accords went into effect Oct. 1, 2009. These rates include an additional \$100 million for funding the new activities identified in the BiOps and Fish Accords. The costs of implementing the BiOp's new contingency actions if fish runs experience a severe decline have not been estimated. The State of Oregon, the Nez Perce Tribe and a coalition of environmental and fishing groups filed a response to AMIP in the U.S. District Court on Oct. 7, 2009. The Government filed a rebuttal on Oct. 23, 2009.

Based on the agreements above, BPA has approximately \$1.1 billion in total commitments.

**19. Earmarked Funds**

(\$ in millions)

**FY 2009**

	Nuclear Waste Fund	D&D Fund	USEC	PMA's	Other	Total
<b>Balance Sheet</b>						
<i>Assets</i>						
Fund balance with Treasury	\$ 10	\$ 10	\$ -	\$ 1,946	\$ 1,074	\$ 3,040
Investments and related interest, net	22,749	4,921	1,594	98	-	29,362
Accounts receivable, net	3,418	-	-	507	-	3,925
Direct loans and loan guarantees, net	-	-	-	1	-	1
Inventory, net	-	-	-	96	85	181
General property plant and equipment, net	6	-	-	7,092	20	7,118
Regulatory assets	-	-	-	10,235	-	10,235
Other Assets	2	-	-	3,027	-	3,029
<b>Total Assets</b>	<b>\$ 26,185</b>	<b>\$ 4,931</b>	<b>\$ 1,594</b>	<b>\$ 23,002</b>	<b>\$ 1,179</b>	<b>\$ 56,891</b>
<i>Liabilities and Net Position</i>						
Accounts payable	\$ 16	\$ 96	\$ -	\$ 419	\$ 15	\$ 546
Debt	-	-	-	17,966	-	17,966
Deferred revenues and other credits	26,152	-	-	946	6	27,104
Environmental cleanup and disposal liabilities	-	14,290	-	19	-	14,309
Pensions and other actuarial liabilities	9	-	-	59	-	68
Capital leases	-	-	-	461	-	461
Other liabilities	8	8	-	1,058	2	1,076
Contingencies and commitments	-	-	-	29	-	29
Unexpended appropriations	-	-	-	9	11	20
Cumulative results of operations	-	(9,463)	1,594	2,036	1,145	(4,688)
<b>Total Liabilities and Net Position</b>	<b>\$ 26,185</b>	<b>\$ 4,931</b>	<b>\$ 1,594</b>	<b>\$ 23,002</b>	<b>\$ 1,179</b>	<b>\$ 56,891</b>
<i>Statement of Net Costs</i>						
Program costs	\$ 141	\$ (10)	\$ -	\$ 4,209	\$ 72	\$ 4,412
Less earned revenues	(193)	(183)	-	(4,174)	(5)	(4,555)
Net program costs	\$ (52)	\$ (193)	\$ -	\$ 35	\$ 67	\$ (143)
Costs not assigned	-	(422)	-	-	1	(421)
Net cost of operations	\$ (52)	\$ (615)	\$ -	\$ 35	\$ 68	\$ (564)
<i>Statement of Changes in Net Position</i>						
Cumulative results of operations, beginning balance	\$ -	\$ (10,555)	\$ 1,571	\$ 2,231	\$ 1,115	\$ (5,638)
Appropriations used	-	-	-	2	11	13
Non exchange revenue	-	-	22	-	-	22
Donations and forfeitures of cash	-	-	-	59	-	59
Transfers - in/(out) without reimbursement	(54)	15	-	(237)	48	(228)
Imputed financing	2	-	-	-	-	2
Other	-	462	1	16	39	518
Net cost of operations	52	615	-	(35)	(68)	564
Cumulative results of operations, ending balance	\$ -	\$ (9,463)	\$ 1,594	\$ 2,036	\$ 1,145	\$ (4,688)
Unexpended appropriations, beginning balance	\$ -	\$ -	\$ -	\$ -	\$ 13	\$ 13
Appropriations received	-	-	-	11	9	20
Other adjustments	-	-	-	-	-	-
Appropriations used	-	-	-	(2)	(11)	(13)
Unexpended appropriations, ending balance	\$ -	\$ -	\$ -	\$ 9	\$ 11	\$ 20



(\$ in millions)  
FY 2008

	Nuclear Waste Fund	D&D Fund	USEC	PMA's	Other	Total
<b>Balance Sheet</b>						
<i>Assets</i>						
Fund balance with Treasury	\$ (6)	\$ 3	\$ -	\$ 2,318	\$ 1,049	\$ 3,364
Investments and related interest, net	21,154	4,823	1,571	-	-	27,548
Accounts receivable, net	3,403	-	-	504	1	3,908
Direct loans and loan guarantees, net	-	-	-	1	-	1
Inventory, net	-	-	-	95	78	173
General property plant and equipment, net	7	-	-	6,654	17	6,678
Regulatory assets	-	-	-	10,576	-	10,576
Other Assets	1	-	-	2,999	1	3,001
<b>Total Assets</b>	<b>\$ 24,559</b>	<b>\$ 4,826</b>	<b>\$ 1,571</b>	<b>\$ 23,147</b>	<b>\$ 1,146</b>	<b>\$ 55,249</b>
<i>Liabilities and Net Position</i>						
Accounts payable	\$ 26	\$ 46	\$ -	\$ 382	\$ 14	\$ 468
Debt	-	-	-	17,793	-	17,793
Deferred revenues and other credits	24,506	-	-	1,040	2	25,548
Environmental cleanup and disposal liabilities	-	15,317	-	19	-	15,336
Pensions and other actuarial liabilities	12	-	-	63	-	75
Capital leases	-	-	-	336	-	336
Other liabilities	15	18	-	1,254	2	1,289
Contingencies and commitments	-	-	-	29	-	29
Unexpended appropriations	-	-	-	-	13	13
Cumulative results of operations	-	(10,555)	1,571	2,231	1,115	(5,638)
<b>Total Liabilities and Net Position</b>	<b>\$ 24,559</b>	<b>\$ 4,826</b>	<b>\$ 1,571</b>	<b>\$ 23,147</b>	<b>\$ 1,146</b>	<b>\$ 55,249</b>
<i>Statement of Net Costs</i>						
Program costs	\$ 197	\$ (41)	\$ -	\$ 4,188	\$ 117	\$ 4,461
Less earned revenues	(228)	(197)	-	(4,491)	(24)	(4,940)
Net program costs	\$ (31)	\$ (238)	\$ -	\$ (303)	\$ 93	\$ (479)
Costs not assigned	1	58	-	19	-	78
Net cost of operations	\$ (30)	\$ (180)	\$ -	\$ (284)	\$ 93	\$ (401)
<i>Statement of Changes in Net Position</i>						
Cumulative results of operations, beginning balance	\$ (2)	\$ (11,331)	\$ 1,515	\$ 2,084	\$ 1,144	\$ (6,590)
Appropriations used	-	-	-	-	16	16
Non exchange revenue	-	-	56	-	1	57
Donations and forfeitures of cash	-	-	-	22	-	22
Transfers - in/(out) without reimbursement	(33)	-	-	(170)	42	(161)
Imputed financing	2	-	-	1	-	3
Other	3	596	-	10	5	614
Net cost of operations	30	180	-	284	(93)	401
Cumulative results of operations, ending balance	\$ -	\$ (10,555)	\$ 1,571	\$ 2,231	\$ 1,115	\$ (5,638)
Unexpended appropriations, beginning balance	\$ -	\$ 8	\$ -	\$ -	\$ 9	\$ 17
Appropriations received	-	-	-	-	12	12
Other adjustments	-	(8)	-	-	8	-
Appropriations used	-	-	-	-	(16)	(16)
Unexpended appropriations, ending balance	\$ -	\$ -	\$ -	\$ -	\$ 13	\$ 13

### Nuclear Waste Fund

The NWPA requires the owners and generators of nuclear waste to pay their share of the full cost of the Civilian Radioactive Waste Management Program. The NWPA also established a fee for electricity generated and sold by civilian nuclear power reactors which the Department must collect and annually assess to determine its adequacy. A special fund within Treasury was created to account for the collection of fees. Fees are invested in Treasury securities and any interest earned is available to pay costs incurred by the NWF. The NWPA requires annual financial statements to be prepared as well as reporting of financial performance measures such as the maintenance of liquid reserves and investment strategies.

### Decontamination and Decommissioning Fund

The Energy Policy Act of 1992 established the D&D fund to pay for the costs of decontamination and decommissioning of gaseous diffusion facilities through collection of revenues derived from domestic utility assessments and government appropriations. The Energy Policy Act also requires that balances in the D&D fund be invested in Treasury securities and any interest earned

would be available to pay the costs of environmental remediation. The Energy Policy Act requires annual financial statements to be prepared as well as periodic reporting of financial performance measures relating to fee receipt and investment income.

### U.S. Enrichment Corporation

Upon privatization of USEC on July 28, 1998, OMB and Treasury designated the Department as successor to USEC for purposes of disposition of balances remaining in the USEC fund. These funds are invested in Treasury securities.

### Power Marketing Administrations

The PMAs are funded primarily from four sources. These include contract and borrowing authority, direct receipts generated from the sale of power, annual appropriations from the Department of the Interior's Reclamation Fund, and appropriations from Treasury's General Fund. In most instances, the annual appropriations from the Reclamation Fund and the General Fund are repaid to Interior and Treasury, respectively, from the receipts generated from power sales.

## **20. Earned Revenues**

(\$ in millions)

	FY 2009				FY 2008			
	Intra-govern-mental	Public	Deferred Revenue Adjustment	Total	Intra-govern-mental	Public	Deferred Revenue Adjustment	Total
Energy diversity	\$ -	\$ (18)	\$ -	\$ (18)	\$ -	\$ (16)	\$ -	\$ (16)
<i>Environmental impacts of energy</i>								
Great Plains Gasification Plant	\$ -	\$ (59)	\$ -	\$ (59)	\$ -	\$ (33)	\$ -	\$ (33)
Isotope sales	-	(20)	-	(20)	(1)	(16)	-	(17)
Other	-	-	-	-	-	(1)	-	(1)
Total environmental impacts of energy	\$ -	\$ (79)	\$ -	\$ (79)	\$ (1)	\$ (50)	\$ -	\$ (51)
Energy infrastructure	\$ (57)	\$ (3,670)	\$ -	\$ (3,727)	\$ (45)	\$ (4,044)	\$ -	\$ (4,089)
Nuclear deterrent	\$ -	\$ (1)	\$ -	\$ (1)	\$ -	\$ (2)	\$ -	\$ (2)
Nuclear propulsion plants	\$ (14)	\$ -	\$ -	\$ (14)	\$ (16)	\$ -	\$ -	\$ (16)
Environmental cleanup	\$ (183)	\$ -	\$ -	\$ (183)	\$ (197)	\$ (1)	\$ -	\$ (198)
Managing the Legacy	\$ (1,104)	\$ (734)	\$ 1,645	\$ (193)	\$ (1,158)	\$ (797)	\$ 1,738	\$ (217)
Reimbursable programs	\$ (3,466)	\$ (645)	\$ -	\$ (4,111)	\$ (3,148)	\$ (713)	\$ -	\$ (3,861)
<i>Other programs</i>								
FERC (Note 21)	\$ -	\$ (288)	\$ -	\$ (288)	\$ -	\$ (255)	\$ -	\$ (255)
Loan programs (Note 21)	(10)	(8)	10	(8)	-	(2)	-	(2)
Other (Note 21)	(1)	(27)	-	(28)	(23)	(14)	-	(37)
Total other programs	\$ (11)	\$ (323)	\$ 10	\$ (324)	\$ (23)	\$ (271)	\$ -	\$ (294)
Total earned revenues	\$ (4,835)	\$ (5,470)	\$ 1,655	\$ (8,650)	\$ (4,588)	\$ (5,894)	\$ 1,738	\$ (8,744)

*Great Plains Gasification Plant*

These revenues primarily resulted from receipts stemming from the 1988 Great Plains Gasification Plant asset purchase agreement. These receipts were deposited into Treasury's miscellaneous receipts account (see Note 24). Under the terms of the asset purchase agreement, the Department will continue to receive revenue sharing payments, if applicable, through FY 2010.

*Isotope Sales*

These revenues result from the sale of radioactive and stable isotopes and associated services.

*Energy Infrastructure*

These revenues result from the Department's power marketing activities. The Department's four PMAs market electricity generated primarily by Federal hydropower projects. Preference for the sale of power is given to public bodies and cooperatives. Revenues from selling power and transmission services are used to repay Treasury annual appropriations, interest on the capital investment repayment, borrowings from Treasury, operation and maintenance costs as well as other payment obligations. Revenues collected by the Southeastern, Southwestern, and Western Area Power Administrations on behalf of other agencies are reported as custodial activity (see Note 26).

*Nuclear Propulsion Plants*

These revenues primarily represent reimbursements from the Department of the Navy for nuclear materials consumed during operations of naval reactors.

*Managing the Legacy—Nuclear Waste Fund*

The NWPA requires the Department to assess fees against owners and generators of high-level radioactive waste and spent nuclear fuel to fund the costs associated with management and disposal activities under the Act. Fees of \$576 million and \$757 million were assessed as of September 30, 2009, and September 30, 2008, respectively. Interest earned on fees owed and on accumulated funds in excess of those needed to pay current program costs totaled \$1,067 million and \$1,194 million as of September 30, 2009, and September 30, 2008, respectively. Adjustments are made annually to defer the recognition of revenues until earned (i.e., when costs are incurred) for the Civilian Radioactive Waste Management program.

*Managing the Legacy—Decontamination and Decommissioning Fund*

The Department assessed fees to domestic utilities to pay for the costs for decontamination and decommissioning the Department's gaseous diffusion facilities used for uranium enrichment services. Accumulated funds in excess of those needed to pay current program costs are invested in Treasury securities. Interest earned on these investments totaled \$183 million and \$197 million for September 30, 2009, and September 30, 2008, respectively.

*Reimbursable Programs*

The Department performs work for other Federal agencies and private companies on a reimbursable work basis and on a cooperative work basis. The Department also has entered into cooperative research and development agreements to increase the transfer of Federally funded technologies to the private sector for the benefit of the U.S. economy.

The Department's policy is to establish prices for materials and services provided to public entities at the Department's full cost. In some cases, the full cost information reported by the Department in accordance with SFFAS No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, exceeds revenues. This results from implementation of provisions contained in the Economy Act of 1932, as amended; the Atomic Energy Act of 1954, as amended; and the National Defense Authorization Act for Fiscal Year 1999, which provide the Department with the authority to charge customers an amount less than the full cost of the product or service. Costs attributable to generating intragovernmental reimbursable program revenues were \$3,611 million and \$3,241 million as of September 30, 2009, and September 30, 2008, respectively.

*Federal Energy Regulatory Commission*

FERC is an independent regulatory organization within the Department that regulates essential aspects of electric, natural gas and oil pipeline industries, and non-Federal hydropower industries. It ensures that the rates, terms, and conditions of service for segments of the electric and natural gas and oil pipeline industries are just and reasonable; it authorizes the construction of natural gas pipeline facilities; and it ensures that hydropower licensing administration and safety actions are consistent with the public interest. FERC assesses most of its administrative program costs as an annual charge to each regulated entity (see Note 21).

**21. Supporting Schedule of Net Cost for Other Programs**

	(\$ in millions)	
	FY 2009	FY 2008
Federal Energy Regulatory Commission		
Program costs - public	\$ 288	\$ 255
Less earned revenues <sup>(Note 20)</sup>	(288)	(255)
	\$ -	\$ -
Loan programs		
Program costs - public <sup>(Note 7)</sup>	\$ 486	\$ 4
Less earned revenues <sup>(Note 20)</sup>	(8)	(2)
	\$ 478	\$ 2
Inspector General	48	46
Environment, safety and health	68	72
Other defense activities	242	218
Other programs - public		
Program costs	\$ 41	\$ 9
Less earned revenues <sup>(Note 20)</sup>	(28)	(37)
	13	(28)
Total net cost for other programs	\$ 849	\$ 310

**22. Costs Applied to Reduction of Legacy Environmental Liabilities**

Costs applied to reduction of legacy environmental liabilities are current year operating expenditures for the remediation of contaminated facilities and wastes generated from past operations.

These amounts are excluded from current year program expenses since the expense was accrued in prior years when the Department recorded the environmental liabilities.

**23. Costs Not Assigned**

	(\$ in millions)	
	FY 2009	FY 2008
Spent nuclear fuel contingency <sup>(Note 18)</sup>		
Current year Judgment Fund payments <sup>(Note 24)</sup>	\$ 208	\$ 68
Change in estimates <sup>(Note 24)</sup>	812	1,369
Current year spent nuclear fuel contingency costs	\$ 1,020	\$ 1,437
Change in environmental liability estimates <sup>(Notes 15 and 24)</sup>	8,690	9,200
Changes in contractor pension and PRB estimates <sup>(Note 24)</sup>	13,887	454
Change in unfunded safety and health liabilities <sup>(Notes 14 and 24)</sup>	(79)	476
Change in occupational illness program <sup>(Note 24)</sup>		
Subtitle B	727	994
Subtitle E	272	677
Other	(1,253)	226
Total costs not assigned	\$ 23,264	\$ 13,464

**Compensation Program for Occupational Illnesses**

The Energy Employees Occupational Illness Compensation Program Act (EEOICPA) authorized compensation for certain illnesses suffered by employees for the Department, its predecessor agencies, and contractors who performed work for the nuclear weapons program. Subtitle B covers illnesses associated with exposure to radiation, beryllium, or silica. In general, each eligible employee and survivors of deceased employees will receive

compensation for the disability or death of that employee in the amount of \$150,000 plus the costs of medical care.

The National Defense Authorization Act for Fiscal Year 2005 amended the EEOICPA to include Subtitle E, Contractor Employee Compensation. This amendment replaces Subtitle D of the EEOICPA, which provided assistance for the Department in obtaining state workers' compensation benefits. The new program grants workers' compensation benefits to covered employees



and their families for illness and death arising from exposure to toxic substances at the Department's facilities. The amendment also makes it possible for uranium workers, as defined under Section 5 of the Radiation Exposure Compensation Act, to receive compensation under Subtitle E for illnesses due to toxic substance exposure at a uranium mine or mill covered under that Act.

As of September 30, 2005, the law makes payments under these programs the responsibility of the Department of Labor. Therefore, the liability is recorded by the Department of Labor and changes in the total liability are recognized by the Department as an imputed cost and an imputed financing source.

## 24. Reconciliation of Net Cost of Operations to Budget

	(\$ in millions)	
	FY 2009	FY 2008
<b>Resources Used to Finance Activities</b>		
Obligations incurred <sup>(Note 25)</sup>	\$ 64,998	\$ 33,213
Less spending authority from offsetting collections and recoveries	(11,509)	(8,402)
Less offsetting receipts <sup>(Note 25)</sup>	(3,235)	(2,111)
Net obligations	\$ 50,254	\$ 22,700
<i>Imputed financing from costs absorbed by others</i>		
Change in occupational illnesses liability <sup>(Note 23)</sup>	\$ 999	\$ 1,670
OPM imputed costs	95	87
Payments made from Treasury's Judgment fund <sup>(Note 23)</sup>	208	68
Total imputed costs absorbed by others	1,302	1,825
<i>Transfers-in/(out) without reimbursement</i>		
Transfer of Great Plains Gasification Plant revenue sharing receipts to Treasury <sup>(Note 20)</sup>	\$ (59)	\$ (33)
All other transfers, net	152	1,247
Total transfers in/(out), net	93	1,214
Nuclear Waste Fund offsetting receipts, deferred	2,387	1,360
Other	50	9
Total resources used to finance activities	\$ 54,086	\$ 27,108
<b>Resources Used to Finance Activities not Part of Net Cost of Operations</b>		
Change in budgetary resources obligated for orders but not yet provided	\$ (25,966)	\$ (1,167)
Resources that finance the acquisition of assets	(5,358)	(4,656)
Credit program collection and receipts that increase liabilities	458	-
Resources that fund expenses recognized in prior periods	(5,748)	(5,050)
Other resources and adjustments	197	13
Total resources used to finance activities not part of Net Cost of Operations	\$ (36,417)	\$ (10,860)
<b>Net Cost of Items that do not Require or Generate Resources in Current Period</b>		
<i>Contractor Pension and PRB plans</i>		
Contractor pension and PRB estimate changes <sup>(Note 23)</sup>	\$ 13,887	\$ 454
Current year pension and PRB service costs <sup>(Note 16)</sup>	764	928
Current year pension and PRB employer contributions <sup>(Note 16)</sup>	(1,139)	(705)
Total pension and PRB plans	\$ 13,512	\$ 677
Change in environmental liability estimates <sup>(Notes 15 and 23)</sup>	8,690	9,200
Change in spent nuclear fuel contingency <sup>(Note 23)</sup>	812	1,369
Change in unfunded safety and health liabilities <sup>(Notes 14 and 23)</sup>	(79)	476
Change in other unfunded liabilities	238	183
Depreciation of property, plant and equipment	1,626	1,561
Amortization of premiums and discounts on Treasury investments	(843)	(785)
Revaluation of assets and liabilities for loans	11	-
Other amortization	164	159
Other	(995)	263
Total net cost of items that do not require or generate resources in current period	\$ 23,136	\$ 13,103
Net Cost of Operations	\$ 40,805	\$ 29,351

*Nuclear Waste Fund Offsetting Receipts, Deferred*

The Department defers the recognition of revenues related to the fees paid by owners and generators of spent nuclear fuel, and the interest earned on the invested balance of these funds, to the extent that the receipts exceed current year costs for developing and managing a permanent repository for spent nuclear fuel generated by civilian reactors. In addition, market value adjustments for Treasury securities of the NWF are not recognized as revenues in the current period unless redeemed by the Department. The gross amount of receipts and interest collected are reported as offsetting receipts on the *Combined*

*Statements of Budgetary Resources*. Therefore, a reconciling amount is reported for the portion of the offsetting receipts for which revenues are not recognized in the current period.

*All Other Transfers, Net*

All other transfers, net, is primarily comprised of transfers of Royalty-in-Kind (RIK) oil from the Department of the Interior's Gulf of Mexico Federal offshore leases. The oil from the offshore leases is exchanged for other crude oil to be delivered to the SPR. The value of oil received from Interior was \$156 million in FY 2009 and \$1,289 in FY 2008.

**25. Combined Statements of Budgetary Resources**

The *Statements of Budgetary Resources* is presented on a combined, rather than a consolidated, basis in accordance with OMB guidance.

	(\$ in millions)	
	FY 2009	FY 2008
<b>Unobligated Balances Not Available:</b>		
Loan funds reserved for future defaults	\$ 3,333	\$ -
U.S. Enrichment Corporation Fund	1,569	1,542
Energy supply carryover to be transferred	23	-
Prior year deobligations in excess of apportioned amount	36	19
Reimbursable work/collections in excess of amount anticipated	18	27
Expired appropriations and other amounts not apportioned	1	3
<b>Total unobligated balances not available</b> (Note 3)	<b>\$ 4,980</b>	<b>\$ 1,591</b>

Unobligated balances not available represent budgetary resources that have not been apportioned to the Department.

**Details of Unpaid Obligations:**

Undelivered orders	\$ 42,799	\$ 13,966
Accounts payable and other liabilities	7,292	7,136
<b>Total unpaid obligations</b> (Note 3)	<b>\$ 50,091</b>	<b>\$ 21,102</b>

**Reconciliation to Appropriations Received on the Statements of Changes in Net Position:**

Appropriations received on the Combined Statements of Budgetary Resources	\$ 73,202	\$ 25,434
Less:		
Special and trust fund appropriated receipts	(955)	(1,170)
Appropriated capital owed	(58)	(37)
Appropriations made available from previous year	(149)	(257)
<b>Appropriations received on the Statements of Changes in Net Position</b>	<b>\$ 72,040</b>	<b>\$ 23,970</b>

**Reconciliation to the Budget (FY 2008)**

	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Combined Statements of Budgetary Resources as published	\$ 36,842	\$ 33,213	\$ (2,111)	\$ 21,335
OMB adjustments made to exclude:				
U.S. Enrichment Corporation Fund	(1,541)	-	-	68
Other	(6)	(4)	1	(3)
<b>Budget of the United States Government</b>	<b>\$ 35,295</b>	<b>\$ 33,209</b>	<b>\$ (2,110)</b>	<b>\$ 21,400</b>

The FY 2008 Combined Statements of Budgetary Resources are reconciled to the President's Budget that was published in April 2009. The President's Budget containing actual FY 2009 balances is expected to be published and available on the OMB web site, [www.whitehouse.gov/omb/budget](http://www.whitehouse.gov/omb/budget), in February 2010. Budgetary resources and obligations incurred are reconciled to the Departmental balances as published in the Appendix to the Budget; distributed offsetting receipts and net outlays are reconciled to the Departmental balances in the Federal Program by Agency and Account section of the Analytical Perspectives Volume of the President's Budget.

WAPA received borrowing authority for the first time in FY 2009. The borrowing authority reflected in the statement of budgetary resources represents the amount of borrowing authority for the current FY obligations, which may or may not have been converted to cash.

The borrowing authority available at September 30, 2009, is \$8.15 billion for the loan program, \$7.70 billion for BPA, and \$3.25 billion for WAPA. Total borrowing authority at September 30, 2008 was \$4.45 billion for BPA. The amounts available are authority that has not been converted to cash.

**Borrowing Authority**

The Department receives borrowing authority to finance the Department's loan program, to finance BPA and to finance portions of WAPA. Both the Department's loan program and

**26. Custodial Activities****Power Marketing Administrations**

The Southeastern, Southwestern, and Western Area Power Administrations are responsible for collecting and remitting to Treasury and the Department of the Interior revenues attributable to the hydroelectric power projects owned and operated by the Department of Defense, the Corps; the Department of the Interior, Bureau of Reclamation; and the Department of State, International Boundary and Water Commission. These revenues are reported as custodial activities of the Department.

**Federal Energy Regulatory Commission**

FERC is responsible for billing regulated companies annual charges as a custodian for certain Federal agencies. These

include: 1) the Corps for licensees to provide maintenance and operations of dams owned by the U.S. and maintenance for operations of headwater or other navigable waters owned by the U.S.; 2) Bureau of Reclamation for the occupancy and use of public lands and national parks owned by the U.S. and for Indian Tribal Trust Funds from licensees for the reservation of Indian land; 3) Treasury for revenues collected based on penalties, interest, and administrative charges for overdue accounts receivables and for civil penalties; and 4) payments to states collected from licensees for the occupancy and use of national forests and public lands from development within the boundaries of any state.

# CONSOLIDATING SCHEDULES

## U.S. Department of Energy Consolidating Schedules - Balance Sheets

As of September 30, 2009 and 2008

(\$ in millions)

	FY 2009					
	Federal Energy Regulatory Commission	Power Marketing Admini- strations	All Other DOE Programs	Eliminations		Consolidated
<b>ASSETS:</b>						
Intragovernmental Assets:						
Fund Balance with Treasury	\$ 64	\$ 1,946	\$ 61,661	\$ -	\$	63,671
Investments, Net	-	98	29,323	-		29,421
Accounts Receivable, Net	-	74	666	(197)		543
Regulatory Assets	-	5,489	-	-		5,489
Other Assets	-	-	111	(55)		56
Total Intragovernmental Assets	\$ 64	\$ 7,607	\$ 91,761	\$ (252)	\$	99,180
Investments, Net	-	-	195	-		195
Accounts Receivable, Net	23	433	3,485	-		3,941
Direct Loan and Loan Guarantees, Net	-	1	436	-		437
Inventory, Net:						
Strategic Petroleum and						
Northeast Home Heating Oil Reserve	-	-	21,626	-		21,626
Nuclear Materials	-	-	20,459	-		20,459
Other Inventory	-	96	404	-		500
General Property, Plant, and Equipment, Net	5	7,092	20,557	-		27,654
Regulatory Assets	-	4,746	-	-		4,746
Other Non-Intragovernmental Assets	-	3,027	229	-		3,256
Total Assets	\$ 92	\$ 23,002	\$ 159,152	\$ (252)	\$	181,994
<b>LIABILITIES:</b>						
Intragovernmental Liabilities:						
Accounts Payable	\$ 4	\$ 12	\$ 243	\$ (197)	\$	62
Debt	-	11,800	908	-		12,708
Deferred Revenues and Other Credits	-	1	85	(55)		31
Other Liabilities	9	63	164	-		236
Total Intragovernmental Liabilities	\$ 13	\$ 11,876	\$ 1,400	\$ (252)	\$	13,037
Accounts Payable	14	407	3,667	-		4,088
Debt Held by the Public	-	6,166	-	-		6,166
Deferred Revenues and Other Credits	-	945	26,511	-		27,456
Environmental Cleanup and Disposal Liabilities	-	19	267,638	-		267,657
Pension and Other Actuarial Liabilities	-	59	24,685	-		24,744
Obligations Under Capital Leases	-	461	107	-		568
Other Non-Intragovernmental Liabilities	49	995	3,562	-		4,606
Contingencies and Commitments	-	29	13,193	-		13,222
Total Liabilities	\$ 76	\$ 20,957	\$ 340,763	\$ (252)	\$	361,544
<b>NET POSITION:</b>						
Unexpended Appropriations:						
Unexpended Appropriations - Earmarked Funds	\$ -	\$ 9	\$ 11	\$ -	\$	20
Unexpended Appropriations - Other Funds	20	-	55,367	-		55,387
Cumulative Results of Operations:						
Cumulative Results of Operations - Earmarked Funds	-	2,036	(6,724)	-		(4,688)
Cumulative Results of Operations - Other Funds	(4)	-	(230,265)	-		(230,269)
Total Net Position	\$ 16	\$ 2,045	\$ (181,611)	\$ -	\$	(179,550)
Total Liabilities and Net Position	\$ 92	\$ 23,002	\$ 159,152	\$ (252)	\$	181,994

See independent auditors' report.



FY 2008				
Federal Energy Regulatory Commission	Power Marketing Admini- strations	All Other DOE Programs	Eliminations	Consolidated
\$ 73	\$ 2,318	\$ 16,840	\$ -	\$ 19,231
-	-	27,604	-	27,604
-	38	694	(206)	526
-	5,425	-	-	5,425
-	-	56	(50)	6
\$ 73	\$ 7,781	\$ 45,194	\$ (256)	\$ 52,792
-	-	196	-	196
23	466	3,488	-	3,977
-	1	40	-	41
-	-	20,484	-	20,484
-	-	21,024	-	21,024
-	95	383	-	478
6	6,654	18,394	-	25,054
-	5,151	-	-	5,151
-	2,999	1,626	-	4,625
\$ 102	\$ 23,147	\$ 110,829	\$ (256)	\$ 133,822
\$ 3	\$ 20	\$ 259	\$ (206)	\$ 76
-	11,526	-	-	11,526
-	1	86	(50)	37
3	34	206	-	243
\$ 6	\$ 11,581	\$ 551	\$ (256)	\$ 11,882
14	362	3,525	-	3,901
-	6,267	-	-	6,267
-	1,039	24,791	-	25,830
-	19	266,062	-	266,081
-	63	12,299	-	12,362
-	336	143	-	479
68	1,220	3,485	-	4,773
-	29	12,359	-	12,388
\$ 88	\$ 20,916	\$ 323,215	\$ (256)	\$ 343,963
\$ -	\$ -	\$ 13	\$ -	\$ 13
24	-	11,082	-	11,106
-	2,231	(7,869)	-	(5,638)
(10)	-	(215,612)	-	(215,622)
\$ 14	\$ 2,231	\$ (212,386)	\$ -	\$ (210,141)
\$ 102	\$ 23,147	\$ 110,829	\$ (256)	\$ 133,822

See independent auditors' report.

**U.S. Department of Energy Consolidating Schedules of Net Cost**

For the Years Ended September 30, 2009 and 2008

(\$ in millions)

	FY 2009					
	Federal Energy Regulatory Commission	Power Marketing Admini- strations	All Other DOE Programs	Eliminations	Consolidated	
<b>STRATEGIC THEMES:</b>						
<b>Energy Security:</b>						
Energy Diversity:						
Program Costs	\$ -	\$ -	\$ 1,470	\$ -	\$ 1,470	
Less: Earned Revenues	-	-	(18)	-	(18)	
Net Cost of Energy Diversity	-	-	1,452	-	1,452	
Environmental Impacts of Energy:						
Program Costs	-	-	1,287	(38)	1,249	
Less: Earned Revenues	-	-	(79)	-	(79)	
Net Cost of Environmental Impacts of Energy	-	-	1,208	(38)	1,170	
Energy Infrastructure:						
Program Costs	-	3,894	214	(61)	4,047	
Less: Earned Revenues	-	(3,778)	(10)	61	(3,727)	
Net Cost of Energy Infrastructure	-	116	204	-	320	
Energy Productivity Program Costs	-	-	714	-	714	
Net Cost of Energy Security	-	116	3,578	(38)	3,656	
<b>Nuclear Security:</b>						
Nuclear Deterrent						
Program Costs	-	-	6,198	-	6,198	
Less: Earned Revenues	-	-	(1)	-	(1)	
Net Cost of Nuclear Deterrent	-	-	6,197	-	6,197	
Weapons of Mass Destruction Program Costs	-	-	1,750	-	1,750	
Nuclear Propulsion Plants:						
Program Costs	-	-	808	-	808	
Less: Earned Revenues	-	-	(14)	-	(14)	
Net Cost of Nuclear Propulsion Plants	-	-	794	-	794	
Net Cost of Nuclear Security	-	-	8,741	-	8,741	
<b>Scientific Discovery and Innovation:</b>						
Net Cost of Scientific Discovery and Innovation	-	-	4,050	-	4,050	
<b>Environmental Responsibility:</b>						
Environmental Cleanup:						
Program Costs	-	-	6,235	(463)	5,772	
Less: Earned Revenues	-	-	(183)	-	(183)	
Net Cost of Environmental Cleanup	-	-	6,052	(463)	5,589	
Managing the Legacy						
Program Costs	-	-	371	-	371	
Less: Earned Revenues	-	-	(193)	-	(193)	
Net Cost of Managing the Legacy	-	-	178	-	178	
Net Cost of Environmental Responsibility	-	-	6,230	(463)	5,767	
Net Cost of Strategic Themes	-	116	22,599	(501)	22,214	
<b>OTHER PROGRAMS:</b>						
Reimbursable Programs:						
Program Costs	-	315	3,913	-	4,228	
Less: Earned Revenues	-	(396)	(3,715)	-	(4,111)	
Net Cost of Reimbursable Programs	-	(81)	198	-	117	
Other Programs:						
Program Costs	288	-	1,034	(149)	1,173	
Less: Earned Revenues	(288)	-	(185)	149	(324)	
Net Cost of Other Programs	-	-	849	-	849	
Costs Applied to Reduction of Legacy Environmental Liabilities	-	-	(5,639)	-	(5,639)	
Costs Not Assigned	-	-	23,264	-	23,264	
Net Cost of Operations	\$ -	\$ 35	\$ 41,271	\$ (501)	\$ 40,805	

See independent auditors' report.

FY 2008				
Federal Energy Regulatory Commission	Power Marketing Admini- strations	All Other DOE Programs	Eliminations	Consolidated
\$ -	\$ -	\$ 1,293	\$ -	\$ 1,293
-	-	(16)	-	(16)
-	-	1,277	-	1,277
-	-	1,182	(15)	1,167
-	-	(51)	-	(51)
-	-	1,131	(15)	1,116
-	3,892	208	(58)	4,042
-	(4,125)	(19)	55	(4,089)
-	(233)	189	(3)	(47)
-	-	415	-	415
-	(233)	3,012	(18)	2,761
-	-	6,700	-	6,700
-	-	(2)	-	(2)
-	-	6,698	-	6,698
-	-	1,625	-	1,625
-	-	798	-	798
-	-	(16)	-	(16)
-	-	782	-	782
-	-	9,105	-	9,105
-	-	3,791	-	3,791
-	-	5,484	(458)	5,026
-	-	(198)	-	(198)
-	-	5,286	(458)	4,828
-	-	612	-	612
-	-	(217)	-	(217)
-	-	395	-	395
-	-	5,681	(458)	5,223
-	(233)	21,589	(476)	20,880
-	296	3,613	(38)	3,871
-	(366)	(3,533)	38	(3,861)
-	(70)	80	-	10
255	-	465	(116)	604
(255)	-	(155)	116	(294)
-	-	310	-	310
-	-	(5,313)	-	(5,313)
-	19	13,445	-	13,464
\$ -	\$ (284)	\$ 30,111	\$ (476)	\$ 29,351

See independent auditors' report.

**U.S. Department of Energy Consolidating Schedules of Changes in Net Position**

For the Years Ended September 30, 2009 and 2008

(\$ in millions)

**FY 2009**

	<b>Federal Energy Regulatory Commission</b>	<b>Power Marketing Admini- strations</b>	<b>All Other DOE Programs</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>CUMULATIVE RESULTS OF OPERATIONS:</b>					
Beginning Balances	\$ (10)	\$ 2,231	\$ (223,481)	\$ -	\$ (221,260)
Budgetary Financing Sources:					
Appropriations Used	\$ 4	\$ 2	\$ 25,748	\$ -	\$ 25,754
Non-Exchange Revenue	-	-	75	-	75
Donations and Forfeitures of Cash	-	-	15	-	15
Transfers - In/(Out) Without Reimbursement	-	(190)	(50)	-	(240)
Other Financing Sources (Non-Exchange):					
Donations and Forfeitures of Cash	-	59	-	-	59
Transfers - In/(Out) Without Reimbursement	(11)	(47)	151	-	93
Imputed Financing from Costs Absorbed by Others	13	-	1,289	-	1,302
Other	-	16	535	(501)	50
Total Financing Sources	\$ 6	\$ (160)	\$ 27,763	\$ (501)	\$ 27,108
Net Cost of Operations	-	(35)	(41,271)	501	(40,805)
Net Change	\$ 6	\$ (195)	\$ (13,508)	\$ -	\$ (13,697)
Total Cumulative Results of Operations	\$ (4)	\$ 2,036	\$ (236,989)	\$ -	\$ (234,957)
<b>UNEXPENDED APPROPRIATIONS:</b>					
Beginning Balances	\$ 24	\$ -	\$ 11,095	\$ -	\$ 11,119
Budgetary Financing Sources:					
Appropriations Received	\$ -	\$ 11	\$ 72,029	\$ -	\$ 72,040
Appropriations Transferred - In/(Out)	-	-	(1,998)	-	(1,998)
Other Adjustments	-	-	-	-	-
Appropriations Used	(4)	(2)	(25,748)	-	(25,754)
Total Budgetary Financing Sources	\$ (4)	\$ 9	\$ 44,283	\$ -	\$ 44,288
Total Unexpended Appropriations	\$ 20	\$ 9	\$ 55,378	\$ -	\$ 55,407
Net Position	\$ 16	\$ 2,045	\$ (181,611)	\$ -	\$ (179,550)

See independent auditors' report.



## FY 2008

Federal Energy Regulatory Commission	Power Marketing Admini- strations	All Other DOE Programs	Eliminations	Consolidated
\$ 2	\$ 2,084	\$ (219,901)	\$ -	\$ (217,815)
\$ (20)	\$ -	\$ 22,955	\$ -	\$ 22,935
-	-	109	-	109
-	-	6	-	6
-	(181)	(33)	-	(214)
-	22	-	-	22
(3)	11	1,206	-	1,214
11	1	1,813	-	1,825
-	10	475	(476)	9
\$ (12)	\$ (137)	\$ 26,531	\$ (476)	\$ 25,906
-	284	(30,111)	476	(29,351)
\$ (12)	\$ 147	\$ (3,580)	\$ -	\$ (3,445)
\$ (10)	\$ 2,231	\$ (223,481)	\$ -	\$ (221,260)
\$ 4	\$ -	\$ 10,678	\$ -	\$ 10,682
\$ -	\$ -	\$ 23,970	\$ -	\$ 23,970
-	-	2	-	2
-	-	(600)	-	(600)
20	-	(22,955)	-	(22,935)
\$ 20	\$ -	\$ 417	\$ -	\$ 437
\$ 24	\$ -	\$ 11,095	\$ -	\$ 11,119
\$ 14	\$ 2,231	\$ (212,386)	\$ -	\$ (210,141)

See independent auditors' report.

**U.S. Department of Energy Combining Schedules of Budgetary Resources**

For the Years Ended September 30, 2009 and 2008

(\$ in millions)

	FY 2009			
	Federal Energy Regulatory Commission	Power Marketing Admini- strations	All Other DOE Programs	Combined
<b>BUDGETARY RESOURCES:</b>				
Unobligated Balance, Brought Forward, October 1	\$ 16	\$ 379	\$ 3,234	\$ 3,629
Recoveries of Prior Year Unpaid Obligations	1	-	59	60
Budget Authority:				
Appropriations	\$ 3	\$ 290	\$ 72,909	\$ 73,202
Borrowing Authority	-	385	9,102	9,487
Contract Authority	-	787	-	787
Spending Authority from Offsetting Collections:				
Earned:				
Collected	273	3,792	4,472	8,537
Change in Receivables from Federal Sources	-	(39)	9	(30)
Change in Unfilled Customer Orders:				
Advances Received	-	19	61	80
Without Advance from Federal Sources	-	(1)	2,863	2,862
Subtotal	\$ 276	\$ 5,233	\$ 89,416	\$ 94,925
Nonexpenditure Transfers, Net, Actual	-	(59)	(1,997)	(2,056)
Temporarily not Available Pursuant to Public Law	-	-	(7)	(7)
Permanently not Available	-	(955)	-	(955)
Total Budgetary Resources	\$ 293	\$ 4,598	\$ 90,705	\$ 95,596
<b>STATUS OF BUDGETARY RESOURCES:</b>				
Obligations Incurred:				
Direct	\$ 285	\$ 356	\$ 56,562	\$ 57,203
Exempt from Apportionment	-	3,002	139	3,141
Reimbursable	-	794	3,860	4,654
Total Obligations Incurred	\$ 285	\$ 4,152	\$ 60,561	\$ 64,998
Unobligated Balance:				
Apportioned	8	418	25,149	25,575
Exempt from Apportionment	-	27	16	43
Unobligated Balance not Available	-	1	4,979	4,980
Total Status of Budgetary Resources	\$ 293	\$ 4,598	\$ 90,705	\$ 95,596
<b>CHANGE IN OBLIGATED BALANCE:</b>				
Obligated Balance, Net:				
Unpaid Obligations, Brought Forward, October 1	\$ 33	\$ 2,803	\$ 18,266	\$ 21,102
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	-	(348)	(4,143)	(4,491)
Total Unpaid Obligated Balance, Net, October 1	\$ 33	\$ 2,455	\$ 14,123	\$ 16,611
Obligations Incurred	285	4,152	60,561	64,998
Less: Gross Outlays	(277)	(4,265)	(31,407)	(35,949)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(1)	-	(59)	(60)
Change in Uncollected Customer Payments from Federal Sources	-	40	(2,872)	(2,832)
	\$ 40	\$ 2,382	\$ 40,346	\$ 42,768
Obligated Balance, Net, End of Period:				
Unpaid Obligations	\$ 40	\$ 2,691	\$ 47,360	\$ 50,091
Less: Uncollected Customer Payments from Federal Sources	-	(309)	(7,014)	(7,323)
Total, Unpaid Obligated Balance, Net, End of Period	\$ 40	\$ 2,382	\$ 40,346	\$ 42,768
<b>NET OUTLAYS:</b>				
Gross Outlays	\$ 277	\$ 4,265	\$ 31,407	\$ 35,949
Less: Offsetting Collections	(273)	(3,811)	(4,533)	(8,617)
Less: Distributed Offsetting Receipts	(51)	(556)	(2,628)	(3,235)
Net Outlays	\$ (47)	\$ (102)	\$ 24,246	\$ 24,097

See independent auditors' report.

## FY 2008

Federal Energy Regulatory Commission	Power Marketing Admini- strations	All Other DOE Programs	Combined
\$ 3	\$ 346	\$ 3,731	\$ 4,080
1	-	52	53
\$ 3	\$ 337	\$ 25,094	\$ 25,434
-	425	-	425
-	515	-	515
261	4,011	3,774	8,046
-	(3)	33	30
-	-	13	13
-	(1)	261	260
\$ 264	\$ 5,284	\$ 29,175	\$ 34,723
-	(83)	2	(81)
-	(2)	(157)	(159)
-	(1,176)	(598)	(1,774)
\$ 268	\$ 4,369	\$ 32,205	\$ 36,842
\$ 252	\$ 403	\$ 24,831	\$ 25,486
-	2,720	181	2,901
-	867	3,959	4,826
\$ 252	\$ 3,990	\$ 28,971	\$ 33,213
16	319	1,656	1,991
-	38	9	47
-	22	1,569	1,591
\$ 268	\$ 4,369	\$ 32,205	\$ 36,842
\$ 21	\$ 2,683	\$ 16,743	\$ 19,447
-	(352)	(3,849)	(4,201)
\$ 21	\$ 2,331	\$ 12,894	\$ 15,246
252	3,990	28,971	33,213
(239)	(3,870)	(27,396)	(31,505)
(1)	-	(52)	(53)
-	4	(294)	(290)
\$ 33	\$ 2,455	\$ 14,123	\$ 16,611
\$ 33	\$ 2,803	\$ 18,266	\$ 21,102
-	(348)	(4,143)	(4,491)
\$ 33	\$ 2,455	\$ 14,123	\$ 16,611
\$ 239	\$ 3,870	\$ 27,396	\$ 31,505
(261)	(4,011)	(3,787)	(8,059)
(45)	(500)	(1,566)	(2,111)
\$ (67)	\$ (641)	\$ 22,043	\$ 21,335

See independent auditors' report.

**U.S. Department of Energy Consolidating Schedules of Custodial Activities**

For the Years Ended September 30, 2009 and 2008

(\$ in millions)

	FY 2009					
	Federal Energy Regulatory Commission	Power Marketing Admini- strations	All Other DOE Programs	Eliminations		Consolidated
<b>SOURCES OF COLLECTIONS:</b>						
Cash Collections:						
Power Marketing Administrations						
Custodial Review	\$ -	\$ 694	\$ -	\$ -	\$ -	\$ 694
Federal Energy Regulatory Commission	63	-	-	-	-	63
Total Cash Collections	\$ 63	\$ 694	\$ -	\$ -	\$ -	\$ 757
Accrual Adjustment	6	8	-	-	-	14
Total Custodial Revenue	\$ 69	\$ 702	\$ -	\$ -	\$ -	\$ 771
<b>DISPOSITION OF REVENUE:</b>						
Transferred to Others:						
Bureau of Reclamation	(8)	(420)	-	-	-	(428)
Department of the Treasury	(45)	(276)	-	-	-	(321)
Army Corps of Engineers	(7)	(19)	-	-	-	(26)
Others	-	-	-	-	-	-
Decrease/(Increase) in Amounts to be Transferred	(9)	13	-	-	-	4
Net Custodial Activity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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FY 2008					Consolidated
Federal Energy Regulatory Commission	Power Marketing Administrations	All Other DOE Programs	Eliminations		
\$ -	\$ 573	\$ -	\$ -	\$ -	\$ 573
62	-	-	-	-	62
\$ 62	\$ 573	\$ -	\$ -	\$ -	\$ 635
(6)	(19)	-	-	-	(25)
\$ 56	\$ 554	\$ -	\$ -	\$ -	\$ 610
(2)	(325)	-	-	-	(327)
(39)	(263)	-	-	-	(302)
(5)	-	-	-	-	(5)
(3)	-	-	-	-	(3)
(7)	34	-	-	-	27
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See independent auditors' report.



# REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (RSSI) – UNAUDITED

## Supplementary Stewardship Reporting on Research and Development Costs for Fiscal Years 2009 through FY 2005

(\$ in millions)		FY 2009			FY 2008		
Energy Security	Energy Security	Direct Cost	Depre- ciation & Other	Total	Direct Cost	Depre- ciation & Other	Total
Nuclear Security	Nuclear Security						
BASIC							
Energy Diversity	Energy Efficiency	\$ 3.9	\$ 0.7	\$ 4.5	\$ 5.2	\$ 0.2	\$ 5.4
	Fossil Energy	9.9	3.0	12.9	4.2	1.4	5.6
	Environmental Impacts of Energy						
	Fossil Energy	3.3	1.0	4.3	5.2	1.8	7.0
	Nuclear Energy	0.0	0.0	0.0	0.0	0.0	0.0
Energy Infrastructure							
	Power Marketing Administrations*	0.0	0.0	0.0	0.0	0.0	0.0
Weapons of Mass Destruction		133.3	9.5	142.9	25.7	1.6	27.3
Scientific Breakthroughs & Foundations of Science		2,928.6	543.0	3,471.6	2,874.0	618.4	3,492.4
Total Basic		\$ 3,079.0	\$ 557.3	\$ 3,636.2	\$ 2,914.3	\$ 623.4	\$ 3,537.7
APPLIED*							
Energy Diversity	Energy Efficiency	\$ 284.2	\$ 34.8	\$ 319.0	\$ 256.7	\$ 9.8	\$ 266.5
	Fossil Energy	12.7	3.9	16.6	3.3	1.1	4.4
	Environmental Impacts of Energy						
	Fossil Energy	111.6	36.6	148.2	158.9	53.7	212.6
	Nuclear Energy	56.8	25.3	82.2	48.1	13.4	61.5
Energy Infrastructure							
	Energy Efficiency	0.0	0.0	0.0	0.9	0.0	0.9
	Electric Transmission & Distribution	56.9	3.8	60.7	19.6	0.8	20.4
	Power Marketing Administrations*	7.2	0.0	7.2	4.9	0.0	4.9
Energy Productivity							
	Energy Efficiency	27.3	2.7	30.0	44.2	2.1	46.3
Nuclear Deterrent		1,291.7	98.3	1,390.0	1,965.2	253.3	2,218.5
Weapons of Mass Destruction		30.2	2.1	32.3	122.9	8.1	131.0
Scientific Breakthroughs & Foundations of Science		0.0	0.0	0.0	0.0	0.0	0.0
Environmental Cleanup		11.3	1.7	13.0	4.5	0.6	5.1
Managing the Legacy		1.7	0.1	1.8	8.3	0.5	8.8
Total Applied		\$ 1,891.8	\$ 209.2	\$ 2,101.0	\$ 2,637.5	\$ 343.4	\$ 2,980.9
DEVELOPMENT*							
Energy Diversity	Energy Efficiency	\$ 239.9	\$ 26.9	\$ 266.8	\$ 197.4	\$ 9.1	\$ 206.5
	Fossil Energy	4.3	1.3	5.6	1.3	0.5	1.8
	Environmental Impacts of Energy						
	Fossil Energy	145.6	48.1	193.7	82.4	29.0	111.4
	Nuclear Energy	1.3	0.6	1.9	5.1	2.6	7.7
Energy Infrastructure							
	Energy Efficiency	24.7	2.7	27.5	0.4	0.0	0.4
	Electric Transmission & Distribution	33.9	1.5	35.4	17.2	0.8	18.0
	Power Marketing Administrations*	0.9	0.0	0.9	0.0	9	0.0
Energy Productivity							
	Energy Efficiency	47.3	4.6	51.9	34.3	1.6	35.9
Nuclear Deterrent		710.8	232.5	943.3	778.5	412.2	1,190.7
Weapons of Mass Destruction		76.6	6.8	83.4	69.3	6.0	75.3
Nuclear Propulsion Plants		728.1	60.6	788.7	693.2	42.8	736.0
Environmental Cleanup		21.9	3.3	25.3	33.3	4.4	37.7
Total Development		\$ 2,035.3	\$ 389.0	\$ 2,424.3	\$ 1,912.4	\$ 509.0	\$ 2,421.4
Total R&D		\$ 7,006.1	\$ 1,155.5	\$ 8,161.6	\$ 7,464.2	\$ 1,475.8	\$ 8,940.0

\* Full R&D investments for the Power Marketing Administrations are included under direct costs of the Energy Infrastructure Goal.

FY 2007			FY 2006			FY 2005		
Direct Cost	Depre- ciation & Other	Total	Direct Cost	Depre- ciation & Other	Total	Direct Cost	Depre- ciation & Other	Total
\$ 0.4	\$ 0.0	\$ 0.4	\$ 1.3	\$ 0.1	\$ 1.4	\$ 19.9	\$ 5.1	\$ 25.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.4	1.3	5.7	4.3	0.8	5.1	6.0	1.7	7.7
0.0	0.0	0.0	0.6	2.3	0.0	0.6	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11.1	1.0	12.1	6.8	0.8	7.6	3.2	0.3	3.5
2,753.9	667.1	3,421.0	2,671.5	601.1	3,272.6	2,808.7	75.5	3,554.2
\$ 2,769.8	\$ 669.4	\$ 3,439.2	\$ 2,685.6	\$ 603.4	\$ 3,289.0	\$ 2,837.8	\$ 742.6	\$ 3,580.4
\$ 169.2	\$ 9.5	\$ 178.7	\$ 169.5	\$ 12.5	\$ 182.0	\$ 161.5	\$ 24.8	\$ 186.7
0.0	0.0	0.0	32.1	7.5	39.6	34.1	8.4	42.5
136.8	41.7	178.5	198.1	20.6	118.7	123.3	41.8	165.1
71.1	15.7	86.8	84.3	33.1	117.4	52.5	35.8	88.3
9.9	0.7	10.6	31.8	1.8	33.6	74.5	7.8	82.3
12.9	1.3	14.2	66.8	3.8	70.6	55.6	4.1	59.7
8.6	0.0	8.6	10.4	0.0	10.4	9.7	0.0	9.7
22.9	1.2	24.1	20.3	1.4	21.7	15.1	2.0	17.1
1,799.3	165.7	1,965.0	1,955.6	183.1	2,138.7	1,898.6	192.9	2,091.5
121.5	11.2	132.7	113.8	13.8	127.6	73.1	5.6	78.7
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9.6	1.5	11.1	0.9	0.0	0.9	15.6	1.2	16.8
172.8	1.9	174.7	259.3	3.1	262.4	144.0	1.9	145.9
\$ 2,534.6	\$ 250.4	\$ 2,785.0	\$ 2,842.9	\$ 280.7	\$ 3,123.6	\$ 2,658.0	\$ 326.3	\$ 2,984.3
\$ 145.4	\$ 9.0	\$ 154.4	\$ 205.7	\$ 12.0	\$ 217.7	\$ 265.8	\$ 28.0	\$ 293.8
0.0	0.0	0.0	48.2	11.3	59.5	51.2	12.6	63.8
127.7	36.6	164.3	95.8	19.9	115.7	121.0	40.3	161.3
9.1	1.0	10.1	1.3	0.3	1.6	1.2	0.8	2.0
19.5	0.8	20.3	28.7	1.7	30.4	54.2	7.1	61.3
17.0	1.7	18.7	26.0	1.6	27.6	13.5	3.2	16.7
2.5	0.0	2.5	1.1	0.0	1.1	2.1	0.0	2.1
22.9	1.2	24.1	20.7	1.4	22.1	15.1	2.0	17.1
595.4	195.3	790.7	467.4	117.3	584.7	467.2	106.8	574.0
66.1	6.7	72.8	84.7	5.1	89.8	53.6	2.8	56.4
708.9	54.0	762.9	681.5	42.9	724.4	724.7	40.6	765.3
22.4	3.5	25.9	2.1	0.1	2.2	36.4	3.6	40.0
\$ 1,736.9	\$ 309.8	\$ 2,046.7	\$ 1,663.2	\$ 213.6	\$ 1,876.8	\$ 1,806.0	\$ 247.8	\$ 2,053.8
\$ 7,041.3	\$ 1,229.6	\$ 8,270.9	\$ 7,301.8	\$ 1,316.7	\$ 8,618.5	\$ 7,301.8	\$ 1,316.7	\$ 8,618.5

### Investment in Research and Development

The Department's Research and Development Programs are classified in the following categories: Basic Research, Applied Research and Development. Research and Development (R&D) Program Offices facilitate the creation, advancement and deployment of the new technologies. The program offices portfolio supports the Department's mission to power and secure America's future by developing cost-effective options for reliable, clean, and affordable energy. The Department has made significant investments in Research and Development.

#### **Strategic Theme 1: Energy Security** *(Basic, Applied, and Development)*

##### *Energy Diversity*

Office of Energy Efficiency and Renewable Energy (EERE) – EERE leads the Federal government's research, development, and deployment efforts in energy efficiency. EERE's role is to invest in high-risk, high-value research and development that is critical to the Nation's energy future and would not be sufficiently conducted by the private sector acting on its own. EERE funds are applied to research projects and grants to manage America's investment in the research, development, and deployment (RD&D) of DOE's diverse energy efficiency and renewable energy applied science portfolio. These funds support a necessary, diverse and critical path of energy efficiency and renewable energy research that, partnered with public and private actions, can help the United States meet the energy challenges of the 21st century. The RD&D portfolio generates the advances necessary to meet the needs of the American public. It will also significantly contribute to achieving the President's "Twenty in Ten" and the Advanced Energy Initiative goals, meet commitments to managing climate change, and catalyze investment and partnerships necessary to achieve rapid and large-scale change in energy systems. Program activities include: Hydrogen Technology, Biomass & Biorefinery Systems R&D, Solar Energy, Wind Energy, Geothermal Technology, Water Power, Vehicle Technologies, Building Technologies, Industrial Technologies, Federal Energy Management Program, and Weatherization & Intergovernmental Activities.

Selected Examples of R&D Accomplishments:

- The *FY09 ENERGY STAR* market penetration was 39% for appliances, 24% for CFLs, and 57% for windows. Estimated energy savings are 0.30 quads and \$657 million in consumer utility billing savings.
- *Lithium-ion Iron Phosphate Battery Development*: From 2002 to 2009 the Department has funded A123 Systems to develop their state-of-the-art lithium-ion battery technology. Starting with a small business innovative research (SBIR) project and followed by other DOE contracts, A123 Systems is now supplying prototype hybrid-electric vehicles (HEV) and plug-in electric-hybrid

vehicles (PHEV) lithium-ion batteries. DOE support has also fostered recent developments such as a partnership between A123 and Chrysler on electric vehicle battery development and a Recovery Act award to build battery manufacturing capability in Michigan.

The Office of Fossil Energy's (FE) natural gas hydrates research and development program is focused on the two major technical constraints to production: the need to detect and quantify methane hydrate deposits prior to drilling, and the demonstration of methane production from hydrate at commercial volumes. Recent and planned research and field trials should answer these two issues.

##### *Environmental Impacts of Energy*

The FE coal research, development, and demonstration program consists of key integrated strategies needed for carbon capture and storage (CCS) to become a viable option for reducing greenhouse gases in the United States and globally. This program advances power generation technology for reasonable-cost CCS, including Advanced Turbines, Gasification Technology, Fuel Cells, Fuels, and Carbon Sequestration (which includes researching ways to separate and permanently store greenhouse gas from stationary sources through its Regional Carbon Sequestration Program). The Advanced Research program is comprised of a set of cross-cutting, long-term research projects that can potentially contribute to many aspects of the coal research portfolio. Commercial-scale projects are operated through the Clean Coal Power Initiative, a cost-shared commercial demonstration program for advanced cost-reduction technologies for new and retrofit CCS applications and through FutureGen, a planned industry and government co-funded initiative to demonstrate the capability to integrate electricity generation from coal with carbon capture, compression, transportation, and geologic storage.

Research supports the following: (1) concepts for various technologies for central systems; (2) research and development in the area of Carbon Sequestration to lower the costs of CO<sub>2</sub> capture, provide fundamental scientific information on engineered terrestrial sequestration approaches, and develop advanced instrumentation to measure and validate terrestrially sequestered carbon; and (3) research and development in the area of Advanced Research to model mineral sequestration and develop hydrogen separation membranes.

Selected Examples of R&D Accomplishments:

- *The Clean Coal Power Initiative (CCPI) Round 3*: Funding Opportunity Announcement DE-PS26-08NT43181 was issued on August 11, 2008. The projects selected under CCPI Round 3 in FY 2009 will demonstrate the technical feasibility of capturing carbon dioxide emissions from coal-fueled power systems, and test the feasibility of large scale storage of CO<sub>2</sub> in geologic formations.

- *Superclean Integrated Gasification Combined Cycle (IGCC)*: Demonstrated new super-clean, integrated gasification combined cycle power technology with higher efficiency and lower emission, especially mercury, resulting in a showcase IGCC power plant at Tampa Electric, which is still the plant that all engineers and technologists come from around the world to see. The IGCC at Tampa set the technological basis for the next generation IGCC's being commercialized.
- *Carbon Capture and Sequestration*: FE has established seven regional carbon sequestration partnerships covering 43 states and involving over 350 stakeholders in developing large scale projects for CO<sub>2</sub> injection into characterized geologic storage formations. FE has also developed injection, monitoring and verification methods and techniques for CO<sub>2</sub> storage, and developing an atlas of the CO<sub>2</sub> storage potential in North America, all of which are necessary to develop a set of best practices that will be needed for regulatory, permitting and liability policy development. One prime example of an ongoing success is the capture of CO<sub>2</sub> from a coal plant in North Dakota and transporting it for injection and storage in an enhanced oil recovery field in Weyburn Canada, which to date has over 14 million tons of CO<sub>2</sub> stored.

The [Office of Nuclear Energy](#) (NE) leads Federal efforts to research and develop new nuclear technologies for energy and other applications and to maintain the national nuclear technology infrastructure. NE's portfolio of programs in 2009 included near-term efforts to help facilitate construction of new plants, research on advanced nuclear reactor technologies, support for university reactors, and development of advanced nuclear fuel cycle technologies that could improve nuclear safeguards to meet non-proliferation objectives, and minimize the volume and toxicity of nuclear waste requiring ultimate disposal. NE also aims to serve the present and future energy needs of the nation by managing the safe operation and maintenance of the Department's nuclear infrastructure.

NE funding within the Advanced Fuel Cycle Initiative (AFCI) supports applied research in advanced mathematics for optimization of complex systems, control theory, and risk assessment. AFCI R&D is focused on transmutation fuels, separations science and engineering and fast reactor design to support the Global Nuclear Energy Partnership (GNEP) vision. As part of its coordination with basic R&D activities conducted by the Office of Science, AFCI R&D is executed as an integrated, experimental R&D and simulation effort focused on developing the key capabilities and products required for an advanced fuel cycle.

As part of the advanced mathematics focus area, the program will initiate code groups to develop advanced design and simulation codes in support of the goals of AFCI/GNEP. As part of the characterization of radioactive waste focus area, the program is conducting significant R&D activities in

spent fuel separations R&D to develop advanced aqueous and electrochemical separations technology alternatives capable of treating spent nuclear fuel in a safe, efficient and proliferation resistant manner. In addition, the program is conducting transmutation R&D to determine methods for lowering the radiotoxicity of spent nuclear fuel.

#### Selected Examples of R&D Accomplishments:

- The NGNP Conceptual Design Funding Opportunity Announcement (FOA) was successfully issued in FY 2009. The FOA will facilitate the extension of the application of nuclear energy into the broader industrial and transportation sectors, reducing fuel use and pollution and improving on the inherent safety of existing commercial light water reactor technology.
- In FY 2009, the Office of Fuel Cycle Research and Development (FCR&D) conducted R&D in used fuel separations, transmutation fuels, and fast reactors. The research accomplishments associated with the major elements of the FCR&D program including: transmutation fuels development; separations and waste forms development; transmutation systems; materials protection; accountability and control technology development; advanced modeling and simulation; and systems analysis.
- The NHI program concluded experiments during FY 2009 on the High Temperature Electrolysis, Sulfur-Iodine Thermochemical, and Hybrid Sulfur hydrogen production technologies. A downselect process was completed in July 2009 to evaluate the technical maturity of the three processes and their potential for operational compatibility with the Next Generation Nuclear Plant (NGNP) and its proposed mission. High Temperature Electrolysis was selected as the best suited for operations with the NGNP as currently envisioned.

#### Energy Infrastructure

The EERE Solar Energy, Wind Energy, Geothermal Technology, Biomass and Biorefinery Systems R&D, and Water Power programs contribute to [Smart Grid](#) technology and infrastructure coordination.

The [Office of Electricity Delivery and Energy Reliability](#) research and development initiatives focus on technologies that can improve the reliability, efficiency, and security of the nations' electricity delivery system. [Visualization and Controls](#) research is expected to result in reduced frequency and duration of operational disturbances on the electric grid. [High Temperature Superconductivity Cables](#) are expected to increase the efficiency of the electric delivery system through reduced energy losses. [Energy Storage and Renewable System Integration](#) research activities could reduce peak prices of electricity and increase asset utilization as well as improve accessibility to a variety of energy sources for generation. [Control System Security](#) research focuses on hardening our



energy infrastructure and mitigating cyber vulnerabilities in the energy sector. [Smart grid](#) research is aimed at advancing interoperability, communication standards and system engineering to balance greater intermittent energy supplies with a potentially growing volatility in demand as consumers engage in energy management.

These activities will: (1) strengthen electricity grid stability and reduce the frequency and duration of operational disturbances; (2) increase efficiency of the electric delivery system through reduced energy losses; (3) reduced peak price of electricity, increase asset utilization (capacity factor for transmission and distribution), and improve accessibility to a variety of energy sources for generation; and (4) harden energy infrastructure so it can detect, prevent, and mitigate external disruptions to the energy sector.

#### Selected Examples of R&D Accomplishments:

- In FY 2009, OE demonstrated a 5 percent peak load reduction on distribution feeders with the implementation of Distributed Energy (DE) and Smart Grid Technologies. The distributed resources were installed and are available to supply electricity during peak load periods.
- In FY 2009, SuperPower succeeded in manufacturing the prototype superconducting wires providing a comparable “energy superhighway” by replacing copper wires with a ceramic superconducting alternative that has higher capacity while eliminating resistive losses. These wires were used to fabricate test coils that generated greater than 2 Tesla magnetic fields at 65 K.
- Megawatt Storage at Long Island Bus Depot Commissioned: The first U.S. customer-side sodium sulfur storage facility was commissioned in 2009 in partnership with the New York State Power Authority. The 1 MW facility is situated at a natural gas refueling depot of the Long Island Bus company. The facility stores off-peak power at night and uses it during peak periods to run gas compressors for 6 hours. The project is expected to save about \$46,000 a year in utility bills and an additional \$220,000 annual savings in labor costs while reducing peak load for the utility.

A [Technology Innovation](#) office within the Bonneville Power Administration is used to focus and manage technology initiatives, as well as to help guide the development of a robust research and development portfolio, drawing from staff that are already engaged in BPA's dispersed research and development work. Current projects fall under categories of energy efficiency and interactability, renewable resource/wind integration, and transmission operations and control. An example is the Development and Demonstration of Advanced Lighting Technologies project, where the objective is to demonstrate the applicability of advanced, high-efficiency lighting technologies that can be controlled through energy management systems, lighting based control systems, and/or

demand response control systems that utilize Internet protocol based remote control and command to allow the reduction of lighting loads.

#### *Energy Productivity*

EERE focuses energy productivity research and development efforts on energy efficient homes and businesses. The [Building Technologies](#) program connects basic and applied sciences by developing the next generation of highly efficient technologies and practices for both residential and commercial buildings through Emerging Technologies R&D activities. The [Industrial Technologies](#) program connects basic and applied sciences and re-energizes the national labs by bringing together industry, national laboratories, and academia to spur innovations that work in real industrial environments to save energy and reduce emissions. Also integrates national laboratory, university, and industry activities by competitively awarding cost-shared funding to collaborative research teams that rely on industry's active participation to ensure that the technologies meet real-world criteria, thus accelerating technology commercialization.

#### **Strategic Theme 2: Nuclear Security** *(Basic, Applied, and Development)*

##### *Nuclear Deterrent*

Although a credible stockpile is critical to the U.S. nuclear deterrent strategy, the nation has not fully developed a new nuclear weapon in over 20 years, nor conducted an underground nuclear test since 1992. Instead, scientists at the [National Nuclear Security Administration](#) (NNSA) maintain the warheads in the [stockpile](#) well beyond their originally intended life by, thus far, minimizing changes to the existing nuclear designs and using sophisticated supercomputers, computer codes, and facilities that test and predict the safety, security, and reliability of U.S. weapons in NNSA laboratories.

##### *Weapons of Mass Destruction*

The NNSA [Proliferation Detection](#) program provides technical expertise and leadership toward the development of next-generation nuclear detection technologies and methods to detect foreign nuclear materials and weapons production. This program develops the tools, technologies, and techniques used to detect, locate, and analyze the global proliferation of nuclear weapons technology with special emphasis on technology to detect the illicit diversion of special nuclear materials and support for U.S. commitments to international treaties such as the Nonproliferation Treaty.

The NNSA [Nuclear Detonation Detection](#) program develops and builds the nation's operational space-based sensors to detect and report world-wide nuclear detonations; produces



and delivers advanced technology that enable operation of the nation's ground-based nuclear detection networks and develops tools, technologies, and related science for collecting and analyzing forensic information related to nuclear detonations.

#### *Nuclear Propulsion Plants*

The NNSA [Naval Reactor](#) program's research and development efforts support new reactor plant development (for example, the FORD-class aircraft carrier), new technologies for future fleet application, and continued, reliable operation of the nuclear fleet.

### **Strategic Theme 3: Scientific Discovery and Innovation** *(Basic)*

A primary goal of the [Office of Science](#) is to discover scientific breakthroughs that will drive U.S. competitiveness and revolutionize approaches to the nation's energy, national security, and environmental quality challenges. Other goals are science for discovery and the creation of new knowledge, training the next generation of scientists and engineers, and providing the laboratory capabilities and infrastructures required for U.S. scientific primacy. The Office of Science is the single largest supporter of basic research in the physical sciences in the United States, providing more than 40 percent of total funding for this vital area of national importance.

Science supports research activities in the following areas: [Advanced Scientific Computing](#) relevant to the complex challenges faced by the Department and providing world class supercomputer and networking facilities for scientists; [Basic Energy Sciences](#) including work in the natural sciences that emphasizes fundamental research in materials science, chemistry, geosciences, and physical biosciences; [Biological and Environmental Research](#) which provides the foundational science for alternative fuels, advanced climate predictions, terrestrial carbon sequestration, subsurface bio-geo-processes, and radiobiology at a range of scales from the molecular to the global Earth; [Fusion Energy Sciences](#) activities including broad-based fundamental research efforts aimed at producing the knowledge needed for a fusion energy source, and to be a world leader in plasma physics and high energy density physics research; [High Energy Physics](#) activities directed at understanding the nature of matter and energy; [Nuclear Physics](#) activities directed at understanding the fundamental forces and particles of nature as manifested in nuclear matter; and [Small Business Innovative Research/Technology Transfer](#) support for energy related technologies.

Selected Examples of R&D Accomplishments:

- Energy Frontier Research Centers (EFRCs) – DOE announced 46 EFRCs spanning 106 institutions from 36

states plus the District of Columbia. These virtual centers, composed of self-assembled teams of investigators, will address fundamental science questions that must be solved in order to remove roadblocks to transformational energy technologies. Each Center will tackle a specific problem, such as energy storage, photoconversion, CO<sub>2</sub> sequestration.

- *The Linac Coherent Light Source (LCLS)* – The world's first x-ray free electron laser, came to life on April 10, 2009. LCLS will enable scientists for the first time to observe chemical reactions and biological processes at the molecular level in real time. Additionally, construction was begun on the National Synchrotron Light Source II (NSLS-II), which will allow scientists to conduct research into the structure of matter at nanoscale resolution, advancing a broad range of biological and physical science.
- *Advances in Supercomputing* – In 2009, DOE supported supercomputers Oak Ridge national labs were used to simulate the processes that led to a past period of abrupt climate change known as the Bolling-Allerod warming – a modeling effort that will allow better prediction of future climate transitions. Supercomputers at Argonne National Lab were used to achieve the first simulation of reactor core cooling with sufficient resolution to account for physical processes. And the Environmental Molecular Sciences Laboratory supercomputer was used to model how microbial interactions influence geochemical processes important for bioremediation. Additionally, DOE researchers developed three key programs, an operating system, data structures, and compiler infrastructure, that will enable researchers to utilize the potential of the Department's most advanced supercomputing capabilities – all three projects are recipients of the R&D 100 award.
- *Basic Energy Research* – In 2009, the Atmospheric Radiation Measurement Climate Research Facility hosted more than 800 users, resulting in over 185 publications in the scientific literature on experiments including: carbon cycling, marine clouds, low-altitude liquid-water clouds, and climatic effects of aerosols. Additionally, the DOE Joint Genome Institute significantly expanded its role in large-scale genome sequencing and analysis, including: the sequencing of the genome of sorghum, a major candidate biofuels crop with ability to withstand drought and prosper on marginal land; and substantial progress on sequencing the genome of a single microbial cell (critical to exploring the gene content of the huge majority of microbial species that cannot easily be cultivated).
- *Fusion Energy Sciences* – A breakthrough by the University of California at Los Angeles plasma diagnostic group has allowed the cross-phase relationship between spatially localized electron density and electron temperature turbulence to be directly measured for the first time in the DIII-D tokamak, allowing for the first time rigorous comparison between the predicted and measured

properties of hot fusion plasma. Additionally, as part of a U.S.-Japan collaboration, experiments are being conducted at the University of California at San Diego to simulate and better understand the complicated phenomena of fusion-type plasmas and the Princeton Plasma Physics Laboratory is running a compact fusion experiment predicted to confine plasmas more efficiently.

- *High Energy Physics (HEP)* – This year a cavity owned by the Fermi National Accelerator Laboratory (Fermilab) exceeded 40 million volts per meter in a test of its accelerating gradient – among the best performance in the world. Making these cavities efficient and reliable is key to the success of HEP research facilities.
- *Nuclear Physics* – The DOE Isotope Development and Production for Research and Applications was successfully transferred to Nuclear Physics (NP) in FY 2009. NP has taken several steps to improve the availability of isotopes for domestic needs in basic research, biomedical, industrial, and national security applications.

### **Strategic Theme 4: Environmental Responsibility (Applied, and Development)**

#### *Environmental Cleanup*

The [Office of Environmental Management](#) maintains a Technology Development and Deployment program. The overall goal of this program is to eliminate technical barriers to cleanup by reducing technical uncertainty, improving safety performance by applying improved or new technologies, increasing confidence in achieving long-term cleanup goals, addressing emerging issues, and leveraging investments in scientific research conducted by other parts of the Department.

#### *Managing the Legacy*

Some research and development activities focus on the Department's responsibility for cleaning up federal Cold War [legacy waste sites](#).

## REQUIRED SUPPLEMENTARY INFORMATION (RSI)– UNAUDITED

This section of the report provides required supplementary information for the Department on deferred maintenance and budgetary resources by major budget account.

### Deferred Maintenance

Deferred maintenance information is a requirement under SFFAS No.6, Accounting for Property, Plant and Equipment, and SFFAS No.14, Amendments to Deferred Maintenance, which requires deferred maintenance to be disclosed as of the end of each FY. Deferred maintenance is defined in SFFAS No.6 as “maintenance that was not performed when it should have been or was scheduled to be and which, therefore, is put off or delayed for a future period.” Estimates were developed for:

Buildings and Other Structures and Facilities	\$3,876 million
Capital Equipment	<u>112 million</u>
Total	\$3,988 million

#### Buildings and Other Structures and Facilities

The condition assessment survey (periodic inspections) method was used in measuring a deferred maintenance estimate for buildings and other structures and facilities except for some structures and facilities where a physical barrier was present (e.g., underground pipe systems). In those cases, where a deficiency is identified during normal operations and correction of the deficiency is past due, a deferred maintenance estimate would be applicable. Also, where appropriate, results from previous condition assessments have been adjusted to estimate current plant conditions. Deferred maintenance for excess property was reported only in situations where maintenance is needed for worker and public health and safety concerns.

The Department determines deferred maintenance and acceptable operating condition through various methods, including periodic condition assessments, physical inspections, review of work orders, manufacturer and engineering specification.

As of September 30, 2009, an amount of \$3,876 million of deferred maintenance was estimated to be required to return the facilities to acceptable operating condition. The percentage of active buildings above acceptable operating condition is estimated at 69 percent.

#### Capital Equipment

Pursuant to the cost/benefit considerations provided in SFFAS No. 6, the Department has determined that the requirements for deferred maintenance reporting on personal property (capital equipment) are not applicable to property items with an acquisition cost of less than \$100,000, except in situations where maintenance is needed to address worker and public health and safety concerns.

Various methods were used for measuring deferred maintenance and determining acceptable operating condition for the Department's capital equipment including periodic condition assessments, physical inspections, review of work orders, manufacturer and engineering specification, and other methods, as appropriate.

An amount of \$112 million of deferred maintenance was estimated to be needed as of September 30, 2009, to return capital equipment assets to acceptable operating condition.

# U.S. Department of Energy Budgetary Resources by Major Account for Recovery Act (RA) and Non-Recovery Act Accounts

As of September 30, 2009

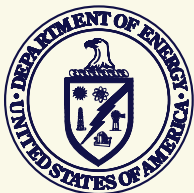
(\$ in millions)

	Recovery Act Accounts				
	Innovative Tech LG, RA 019-20-0208	Fossil Energy R&D, RA 019-20-0213	Science, RA 019-20-0222	Departmental Administration, RA 019-60-0228	Inspector General, RA 019-60-0236
<b>BUDGETARY RESOURCES</b>					
Unobligated Balance, Brought Forward, Oct 1	\$ -	\$ -	\$ -	\$ -	\$ -
Recoveries of Prior Year Unpaid Obligations	-	-	-	-	-
Budget Authority	6,004	3,400	1,600	-	15
Nonexpenditure Transfers, Net	(2,040)	(1)	33	42	-
Authority not Available	(4)	-	-	-	-
Total Budgetary Resources	\$ 3,960	\$ 3,399	\$ 1,633	\$ 42	\$ 15
<b>STATUS OF BUDGETARY RESOURCES</b>					
Obligations Incurred	\$ 45	\$ 112	\$ 1,410	\$ 20	\$ 4
Unobligated Balances Available	3,915	3,287	223	22	11
Unobligated Balances not Available	-	-	-	-	-
Total Status of Budgetary Resources	\$ 3,960	\$ 3,399	\$ 1,633	\$ 42	\$ 15
<b>CHANGE IN OBLIGATED BALANCE</b>					
Obligated Balance, Brought Forward, Oct 1	\$ -	\$ -	\$ -	\$ -	\$ -
Obligations Incurred	45	112	1,410	20	4
Less: Gross Outlays	(2)	(2)	(73)	(3)	-
Obligated Balance Transferred, Net	-	-	-	-	-
Less: Recoveries of PY Obligations, Actual	-	-	-	-	-
Change in Uncollected Customer Payments, Federal	-	-	-	-	-
Obligated Balance, Net, End of Period	\$ 43	\$ 110	\$ 1,337	\$ 17	\$ 4
<b>NET OUTLAYS</b>					
	\$ (2)	\$ 2	\$ 73	\$ 3	\$ -
	Defense Environmental Cleanup, RA 019-10-0251	Non-Defense Environmental Cleanup, RA 019-20-0315	Electric Delivery and Energy Reliability, RA 019-20-0318	Energy Efficiency and Renewable Energy, RA 019-20-0321	Energy Transformation Acceleration, RA 019-20-0336
<b>BUDGETARY RESOURCES</b>					
Unobligated Balance, Brought Forward, Oct 1	\$ -	\$ -	\$ -	\$ -	\$ -
Recoveries of Prior Year Unpaid Obligations	-	-	-	-	-
Budget Authority	5,127	483	4,500	16,800	400
Nonexpenditure Transfers, Net	-	-	(4)	(28)	(11)
Authority not Available	-	-	-	-	-
Total Budgetary Resources	\$ 5,127	\$ 483	\$ 4,496	\$ 16,772	\$ 389
<b>STATUS OF BUDGETARY RESOURCES</b>					
Obligations Incurred	\$ 5,051	\$ 402	\$ 111	\$ 10,048	\$ 3
Unobligated Balances Available	76	81	4,385	6,724	386
Unobligated Balances not Available	-	-	-	-	-
Total Status of Budgetary Resources	\$ 5,127	\$ 483	\$ 4,496	\$ 16,772	\$ 389
<b>CHANGE IN OBLIGATED BALANCE</b>					
Obligated Balance, Brought Forward, Oct 1	\$ -	\$ -	\$ -	\$ -	\$ -
Obligations Incurred	5,051	402	111	10,048	3
Less: Gross Outlays	(546)	(60)	(12)	(210)	(1)
Less: Recoveries of PY Obligations, Actual	-	-	-	-	-
Change in Uncollected Customer Payments, Federal	-	-	-	-	-
Obligated Balance, Net, End of Period	\$ 4,505	\$ 342	\$ 99	\$ 9,838	\$ 2
<b>NET OUTLAYS</b>					
	\$ 546	\$ 60	\$ 12	\$ 210	\$ 1
	Bonneville Power Administration Fund, RA 019-50-4045	Uranium Enrichment D&D Fund, RA 019-20-5231	Other Recovery Act Accounts	Innovative Tech Direct Loan Fin Acct, RA Non-Budgetary 019-20-4455	Subtotal of Recovery Act Accounts
<b>BUDGETARY RESOURCES</b>					
Unobligated Balance, Brought Forward, Oct 1	\$ -	\$ -	\$ -	\$ -	\$ -
Recoveries of Prior Year Unpaid Obligations	-	-	-	-	-
Budget Authority	33	390	10	575	39,338
Nonexpenditure Transfers, Net	-	-	10	-	(2,000)
Authority not Available	-	-	-	-	(4)
Total Budgetary Resources	\$ 33	\$ 390	\$ 20	\$ 575	\$ 37,334
<b>STATUS OF BUDGETARY RESOURCES</b>					
Obligations Incurred	\$ 33	\$ 348	\$ 10	\$ 535	\$ 18,132
Unobligated Balances Available	-	42	10	-	19,162
Unobligated Balances not Available	-	-	-	40	40
Total Status of Budgetary Resources	\$ 33	\$ 390	\$ 20	\$ 575	\$ 37,334
<b>CHANGE IN OBLIGATED BALANCE</b>					
Obligated Balance, Brought Forward, Oct 1	\$ -	\$ -	\$ -	\$ -	\$ -
Obligations Incurred	33	348	10	535	18,132
Less: Gross Outlays	(33)	(44)	(3)	(21)	(1,010)
Obligated Balance Transferred, Net	-	-	-	-	-
Less: Recoveries of PY Obligations, Actual	-	-	-	-	-
Change in Uncollected Customer Payments, Federal	-	-	-	(39)	(39)
Obligated Balance, Net, End of Period	\$ -	\$ 304	\$ 7	\$ 475	\$ 17,083
<b>NET OUTLAYS</b>					
	\$ 33	\$ 44	\$ 3	\$ 20	\$ 1,005

Non-Recovery Act Accounts				
Fossil Energy R&D 019-20-0213	Science 019-20-0222	Weapons Activities 019-05-0240	Other Defense Activities 019-10-0243	Defense Environ Cleanup 019-10-0251
\$ 607	\$ 19	\$ 47	\$ 24	\$ 31
10	4	-	2	5
731	5,376	7,737	2,817	5,657
137	50	-	-	(1)
-	-	-	-	-
\$ 1,485	\$ 5,449	\$ 7,784	\$ 2,843	\$ 5,692
\$ 712	\$ 5,418	\$ 7,683	\$ 2,816	\$ 5,666
765	29	101	27	23
8	2	-	-	3
\$ 1,485	\$ 5,449	\$ 7,784	\$ 2,843	\$ 5,692
\$ 802	\$ 2,601	\$ 2,825	\$ 279	\$ 1,915
712	5,418	7,683	2,816	5,666
(551)	(4,365)	(7,988)	(2,089)	(5,458)
-	7	-	-	-
(10)	(4)	-	(2)	(5)
(1)	(295)	452	(358)	-
\$ 952	\$ 3,362	\$ 2,972	\$ 646	\$ 2,118
\$ 548	\$ 4,056	\$ 6,209	\$ 944	\$ 5,458
Defense Nuclear Nonproliferation 019-05-0309	Energy Efficiency and Renewable Energy 019-20-0321	Adv Tech Vehicles Manufact LP 019-20-0322	Bonneville Power Administration Fund 019-50-4045	Construction, Rehab, Operation and Maintenance, WAPA 019-50-5068
\$ 21	\$ 28	\$ -	\$ 38	\$ 227
1	2	-	-	-
1,553	2,352	7,510	3,991	860
(8)	(12)	-	(77)	-
-	-	-	(955)	-
\$ 1,567	\$ 2,370	\$ 7,510	\$ 2,997	\$ 1,087
\$ 1,508	\$ 2,022	\$ 3,289	\$ 2,970	\$ 835
59	348	4,221	27	252
-	-	-	-	-
\$ 1,567	\$ 2,370	\$ 7,510	\$ 2,997	\$ 1,087
\$ 1,699	\$ 1,288	\$ -	\$ 2,102	\$ 242
1,508	2,022	3,289	2,970	835
(1,689)	(1,740)	(457)	(3,089)	(837)
(1)	(2)	-	-	-
-	111	-	36	2
\$ 1,517	\$ 1,679	\$ 2,832	\$ 2,019	\$ 242
\$ 1,674	\$ 1,456	\$ 457	\$ 129	\$ 194
United States Enrichment Corporation Fund 486-00-4054	Other Non-Recovery Act Budgetary Accounts	Subtotal of Non-Recovery Act Budgetary Accounts	Adv Tech Vehicles Manufact Direct Loan Fin Acct Non-Budgetary 019-20-4579	Combined Statement of Budgetary Resources Total
\$ 1,541	\$ 1,046	\$ 3,629	\$ -	\$ 3,629
-	36	60	-	60
28	5,112	43,724	11,863	94,925
-	(145)	(56)	-	(2,056)
-	(3)	(958)	-	(962)
\$ 1,569	\$ 6,046	\$ 46,399	\$ 11,863	\$ 95,596
\$ -	\$ 5,380	\$ 38,299	\$ 8,567	\$ 64,998
-	601	6,453	3	25,618
1,569	65	1,647	3,293	4,980
\$ 1,569	\$ 6,046	\$ 46,399	\$ 11,863	\$ 95,596
\$ -	\$ 2,858	\$ 16,611	\$ -	\$ 16,611
-	5,380	38,299	8,567	64,998
-	(5,789)	(34,052)	(887)	(35,949)
-	(7)	-	-	-
-	(36)	(60)	-	(60)
-	89	36	(2,829)	(2,832)
\$ -	\$ 2,495	\$ 20,834	\$ 4,851	\$ 42,768
\$ (28)	\$ 1,575	\$ 22,672	\$ 420	\$ 24,097



## MEMORANDUM FROM THE INSPECTOR GENERAL




### Department of Energy

Washington, DC 20585

November 12, 2009

#### MEMORANDUM FOR THE SECRETARY

FROM:   
Gregory H. Friedman  
Inspector General

SUBJECT: INFORMATION: Report on "The Department of Energy's Fiscal Year 2009 Consolidated Financial Statements"

This is to inform you that the Department of Energy's (Department) Consolidated Financial Statements for Fiscal Year (FY) 2009 have received an unqualified opinion. Pursuant to requirements established by the Government Management Reform Act of 1994, the Office of Inspector General (OIG) engaged the independent public accounting firm of KPMG LLP (KPMG) to perform an audit of the Department's FY 2009 Consolidated Financial Statements. The audit was performed in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget Bulletin Number 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

KPMG was responsible for expressing an opinion on the Department's consolidated financial statements based on its audits and the reports of other auditors for the year ended September 30, 2009. KPMG concluded that the consolidated financial statements present fairly, in all material respects, the financial position of the Department and its net costs, changes in net position, budgetary resources, and custodial activity in conformity with U.S. generally accepted accounting principles.

The audit included obtaining an understanding of the internal control over financial reporting and testing and evaluating the design and operating effectiveness of the internal control structure. This work identified two significant deficiencies in the Department's internal control over financial reporting, neither of which were considered to be a material weakness:

- Accounting for Property, Plant, and Equipment (PP&E): Deficiencies in internal controls over recording PP&E accurately, completely, and timely were identified. Misinterpretation of Departmental accounting policies and improper application of accounting principles caused certain costs to be expensed instead of capitalized and also caused misclassifications between completed PP&E and construction work in

process. The Department provided comments on this issue and indicated that it will address outdated policies and procedures and identify and implement best practices to strengthen controls to ensure that assets are capitalized timely and promptly transferred from construction work in process when placed in service.

- **Unclassified Network and Information Systems Security:** While the Department has made progress in addressing previously identified cyber security weaknesses, network vulnerabilities and weaknesses in access and other security controls over unclassified computer information systems continued to exist. In management comments on this finding, the Department noted that it recognized these weaknesses and will continue its efforts to improve cyber security posture.

The audit also included tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grant agreements. This work disclosed no instances of noncompliance or other matters that are required to be reported under applicable auditing standards and requirements.

As in previous years, the preparation and audit of the financial statements involve many parties. The Department is responsible for the preparation of the financial statements and the OIG is responsible for the audit. The OIG contracted with KPMG to conduct the audit, monitored the contractor's progress, and reviewed the contractor's audit report and related documentation to ensure compliance with generally accepted government auditing standards. The OIG did not express an independent opinion on the Department's financial statements.

I would like to thank each of the Department elements for their courtesy and cooperation during the review.

#### Attachment

cc: Deputy Secretary of Energy  
Under Secretary for Nuclear Security  
Under Secretary of Energy  
Under Secretary for Science  
Chief of Staff  
Chief Financial Officer

Audit Report: OAS-FS-10-02

## INDEPENDENT AUDITORS' REPORT



KPMG LLP  
2001 M Street, NW  
Washington, DC 20036

### INDEPENDENT AUDITORS' REPORT

The Inspector General, United States Department of Energy and  
The Secretary, United States Department of Energy:

We have audited the accompanying consolidated balance sheets of the United States Department of Energy (Department) as of September 30, 2009 and 2008, and the related consolidated statements of net cost, changes in net position, and custodial activity, and the combined statements of budgetary resources (hereinafter referred to as "consolidated financial statements") for the years then ended. The objective of our audits was to express an opinion on the fair presentation of these consolidated financial statements. In connection with our fiscal year 2009 audit, we also considered the Department's internal control over financial reporting and tested the Department's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on these consolidated financial statements.

As discussed in this report, a Power Marketing Administration of the Department, whose Department-related financial data is included in the accompanying consolidated financial statements, was audited by other auditors whose report has been furnished to us and was considered in forming our overall opinion on the Department's consolidated financial statements.

#### SUMMARY

As stated in our opinion on the consolidated financial statements, based upon our audits and the report of other auditors, we conclude that the Department's consolidated financial statements as of and for the years ended September 30, 2009 and 2008, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Our opinion emphasizes that: (1) the cost estimates supporting the Department's environmental remediation liabilities are based upon assumptions regarding funding and other future actions and decisions, many of which are beyond the Department's control; and (2) the Department is involved as a defendant in several matters of litigation relating to its inability to accept commercial spent nuclear fuel by January 31, 1998, the date specified in the *Nuclear Waste Policy Act of 1982*, as amended.

Our consideration of internal control over financial reporting resulted in identification of significant deficiencies in the following areas:

- Accounting for property plant, and equipment
- Unclassified network and information systems security

However, we do not consider these significant deficiencies to be material weaknesses.

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and



Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

The following sections discuss our opinion on the Department's consolidated financial statements; our consideration of the Department's internal control over financial reporting; our tests of the Department's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements; and management's and our responsibilities.

## OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of the United States Department of Energy as of September 30, 2009 and 2008, and the related consolidated statements of net cost, changes in net position, and custodial activity, and the combined statements of budgetary resources for the years then ended.

We did not audit the financial statements of Bonneville Power Administration as of and for the years ended September 30, 2009 and 2008, whose Department-related financial data reflect total assets of \$19,451 million and \$19,848 million, and total net costs of \$(53) million and \$(404) million, respectively. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Bonneville Power Administration, is based solely upon the report of the other auditors.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the United States Department of Energy as of September 30, 2009 and 2008, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 15 to the consolidated financial statements, the cost estimates supporting the Department's environmental remediation liabilities of \$268 billion and \$266 billion as of September 30, 2009 and 2008, respectively, are based upon assumptions regarding funding and other future actions and decisions, many of which are beyond the Department's control.

As discussed in Note 18 to the consolidated financial statements, the Department is involved as a defendant in several matters of litigation relating to its inability to accept commercial spent nuclear fuel by January 31, 1998, the date specified in the *Nuclear Waste Policy Act of 1982*, as amended. The Department has recorded liabilities for likely damages of \$13 billion and \$12 billion as of September 30, 2009 and 2008, respectively.

The information in the Management's Discussion and Analysis, Required Supplementary Information, and Required Supplementary Stewardship Information sections is not a required part of the consolidated financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The information in the Consolidating Schedules section of the Department's 2009 *Agency Financial Report* is presented for purposes of additional analysis of the



consolidated financial statements rather than to present the financial position, net costs, changes in net position, budgetary resources, and custodial activities of the Department's components individually. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, based upon our audits and the report of other auditors, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

The information in the Message from the Secretary and the Other Accompanying Information section of the Department's 2009 *Agency Financial Report* is presented for purposes of additional analysis and is not required as part of the consolidated financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

Our consideration of the internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. This report also includes our consideration of the results of the other auditors' testing of internal control over financial reporting that are reported on separately by those auditors. However, this report, insofar as it relates to the results of the other auditors' testing, is based solely on the report of the other auditors.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Department's financial statements will not be prevented, or detected and corrected on a timely basis.

In our fiscal year 2009 audit, we noted the following matters, described in more detail in Exhibit I, involving internal control over financial reporting that we consider to be significant deficiencies. However, we do not believe these significant deficiencies are material weaknesses.

- ***Accounting for property, plant, and equipment*** – We identified deficiencies in the Department's internal controls over recording property, plant, and equipment (PP&E) accurately, completely, and timely. The Department should take steps to address the deficiencies in its accounting policies and procedures and to direct that its contractors follow the proper accounting policies for recording PP&E, including ensuring that all assets are capitalized timely and transferred from construction work in process to completed PP&E when a project is completed or placed into service.
- ***Unclassified network and information systems security*** – We noted network vulnerabilities and weaknesses in access and other security controls in the Department's unclassified computer information systems. The identified weaknesses and vulnerabilities increase the risk that malicious destruction or alteration of data or unauthorized processing could occur. The Department should fully implement policies and procedures to improve its network and information systems security.

Exhibit II presents the status of the prior year significant deficiency.





We noted certain additional matters involving internal control over financial reporting and internal control over financial management systems that we will report to management in separate letters.

## COMPLIANCE AND OTHER MATTERS

The results of certain of our tests of compliance as described in the Responsibilities section of this report, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04, as amended. This report also includes our consideration of the results of the other auditors' testing of compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors' testing, is based solely on the report of the other auditors.

The results of our tests of FFMIA disclosed no instances in which the Department's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) United States Government Standard General Ledger at the transaction level.

## RESPONSIBILITIES

**Management's Responsibilities.** Management is responsible for the consolidated financial statements; establishing and maintaining effective internal control; and complying with laws, regulations, contracts, and grant agreements applicable to the Department.

**Auditors' Responsibilities.** Our responsibility is to express an opinion on the fiscal year 2009 and 2008 consolidated financial statements of the Department based on our audits and the report of other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04, as amended. Those standards and OMB Bulletin No. 07-04, as amended, require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall consolidated financial statement presentation.

We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2009 audit, we considered the Department's internal control over financial reporting by obtaining an understanding of the Department's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of



expressing our opinion on the consolidated financial statements. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to express an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

As part of obtaining reasonable assurance about whether the Department's fiscal year 2009 consolidated financial statements are free of material misstatement, we performed tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, as amended, including the provisions referred to in Section 803(a) of FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Department. However, providing an opinion on compliance with laws, regulations, contracts, and grant agreements was not an objective of our audit and, accordingly, we do not express such an opinion.

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The Department's responses to the findings identified in our audit are presented in Exhibit I. We did not audit the Department's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Department's management, the Department's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

November 12, 2009

**Independent Auditor's Report**  
**Exhibit I – Significant Deficiencies**

**Accounting for Property, Plant, and Equipment**

We identified deficiencies in the Department's internal controls over recording property, plant, and equipment (PP&E) accurately, completely, and timely. The control deficiencies resulted in misstatements of PP&E that were corrected in 2009. The most significant issues related to a single integrated contractor that recorded certain capitalizable costs as expenses instead of construction work in process (CWIP) in prior years, and also prematurely transferred certain CWIP costs to completed PP&E. The opening balance of net PP&E was understated by approximately \$1.4 billion as a result of errors made by this contractor. We determined there was not a significant misstatement of the consolidated financial statements as of September 30, 2008.

The misstatements discussed above resulted from misinterpretation of Departmental accounting policies, one of which is outdated and not in conformance with generally accepted accounting principles, for the capitalization of research and development assets and other assets funded from non-construction funded accounts. The premature transfer of CWIP to PP&E resulted from improper application of accounting principles. The contractor considered components of the project separately, instead of as one integrated project that is not yet operational.

While the principal errors were limited to a single integrated contractor, the Department identified and corrected other minor errors in accounting for PP&E at other Departmental facilities. In addition, we found that various field sites did not transfer CWIP projects to completed PP&E when the projects were placed into service. These misclassifications between completed PP&E and CWIP, which resulted primarily from insufficient communication between accounting personnel and construction project management and grantees, did not result in a significant misstatement of the consolidated financial statements as of fiscal year 2009.

**Recommendation:**

We recommend that the Chief Financial Officer address the deficiencies in the Department's accounting policies and procedures and ensure that contractors follow the proper accounting policies for recording PP&E. We recommend that the Chief Financial Officer direct the field sites to implement procedures to ensure all assets are capitalized timely and transferred from CWIP to completed PP&E when a project is completed or placed into service.

**Management's Response:**

The Department concurs in the recommendations and will conduct a comprehensive assessment of its PP&E accounting policies and procedures during FY 2010. This assessment will address outdated policies and procedures and identify and implement best practices to strengthen controls to ensure that assets are capitalized timely and promptly transferred from CWIP when placed into service.

**Independent Auditor's Report**  
**Exhibit I – Significant Deficiencies****Unclassified Network and Information Systems Security**

The Department uses a series of interconnected unclassified networks and information systems. Federal and Departmental directives require the establishment and maintenance of security over unclassified information systems, including financial management systems. Past audits identified significant weaknesses in selected systems and devices attached to the computer networks at some Department sites. The Department has implemented corrective actions to address identified weaknesses at the sites whose controls we, and the Department's Office of Health, Safety and Security (HSS), reviewed in prior years. Although the frequency of network security weaknesses continues to decline when compared with prior years, we and the HSS continued to identify similar weaknesses at sites reviewed in fiscal year 2009, and the characteristics and severity of those weaknesses remained consistent with our prior year findings. The Department recognizes these weaknesses and has categorized unclassified cyber security as a leadership challenge issue in its *Federal Managers' Financial Integrity Act* assurance statement for fiscal year 2009. Improvements are still needed in the areas of password management, configuration management, and restriction of network services. Continuing weakness in these areas may be indicative of systemic problems.

Our fiscal year 2009 audit also disclosed other information system security weaknesses, similar to our prior year findings. Specifically, we noted weaknesses in the areas of user access controls, password management, network protocols and services, system change management and authorization, and use of versions of application and operating system software that were outdated or not appropriately patched to correct known vulnerabilities.

We also noted that the National Nuclear Security Administration (NNSA) had begun, but not fully implemented, a program for management oversight and periodic evaluation of the cyber security practices of subordinate organizations and field sites. The Department's Office of Inspector General (OIG) similarly noted that NNSA had not fully implemented a performance monitoring program to ensure the effectiveness of field sites in carrying out their responsibilities for proper implementation of Federal cyber security requirements. Lack of effective review for compliance with mandatory cyber security policies and directives has resulted in varying degrees of compliance and contributed to the extent of weaknesses that we found in cyber security controls at certain NNSA sites. Further, the OIG has reported deficiencies in the Department's systems inventory, security planning, testing of security controls, access controls, and configuration management, including the implementation of standard security configurations for cyber security controls, in its evaluation report on *The Department's Unclassified Cyber Security Program - 2009*, dated October 2009. Matters discussed in that report included an examination of non-financial systems.

The Department has acknowledged the need to improve its information systems security and technology controls, and made progress in addressing previously identified cyber security weaknesses by enhancing its management of the unclassified cyber security program. At the Headquarters level, the Office of Chief Information Officer (OCIO), working in collaboration with Senior Departmental Management, has continued to make adjustments designed to enhance the cyber security governance structure. The Department also established a centralized incident response organization designed to eliminate duplicative efforts throughout the Department. Additional improvements in the cyber

**Independent Auditor's Report**  
**Exhibit I – Significant Deficiencies**

security program were made in the areas of security planning and control testing and remediation of known vulnerabilities.

The identified weaknesses in unclassified network and information systems security increase the risk that malicious destruction or alteration of data or unauthorized processing could occur. Because of our concerns, we performed supplemental procedures and identified compensating controls that mitigate the potential effect of these security weaknesses on the integrity of the Department's financial systems.

**Recommendation:**

While progress has been achieved, continued focus is needed to strengthen the management review process to include better monitoring of field sites to ensure the adequacy of cyber security program performance and improve the use of government-wide security configuration standards in the resolution of the vulnerabilities and control weaknesses described above.

Therefore, we recommend that NNSA and program officials, in conjunction with the Chief Information Officer, fully implement policies and procedures to ensure that the Federal information security standards are met, that networks and information systems are adequately protected against unauthorized access, and that field site performance is reviewed. Detailed recommendations to address the issues discussed above have been separately reported to the program offices and the OCIO.

**Management's Response:**

The Department will continue its efforts to improve its cyber security posture, taking into account new threats and defensive measures. This includes updating its cyber security strategic planning, developing a cyber security architecture framework, enhancing the Department's enterprise-wide incident reporting capabilities, updating training and awareness programs, and ensuring adequate review of field site performance.

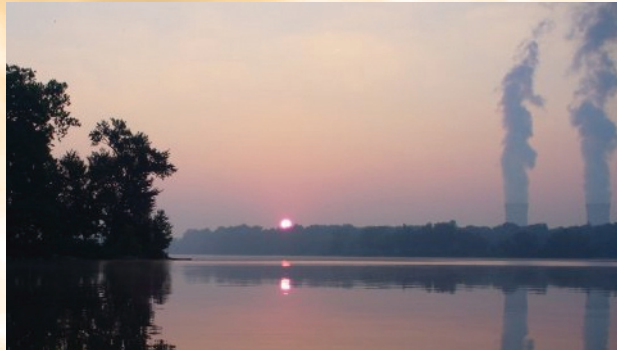


Independent Auditors’ Report  
Exhibit II – Status of Prior Year Audit Findings

Fiscal Year 2008 Audit Findings (with parenthetical disclosure of year first reported)	Status at September 30, 2009
Unclassified Information Systems Security – Considered a Significant Deficiency (1999)	Not fully implemented – Unclassified network and information systems security issues continue to be reported in Exhibit I as a significant deficiency.

# OTHER ACCOMPANYING INFORMATION

Management Initiatives and Assurances



*Three Mile Island Nuclear Power Plant*



*Solar Thermal Test Facility, Sandia National Laboratory*



*Petroleum Reserve*



*Hydropower, Southwestern Power Administration*

## INSPECTOR GENERAL'S STATEMENT OF MANAGEMENT CHALLENGES

Each year, the Office of Inspector General identifies what it considers to be the most significant management challenges facing the Department. Our annual effort assesses the agency's progress in addressing previously identified challenges and considers new or emerging issues facing the Department. The challenges identified by this process represent risks inherent to the Department's wide ranging and complex operations as well as those related to problems with specific management processes. As we have noted in past reports on this subject, these challenges, at least in part, cannot be resolved in a single year and must, therefore, be addressed through a concentrated, persistent effort over time.

During the past year, the Department has taken a number of actions consistent with its ongoing challenge resolution activities. Given the persistent nature and significant risks associated with previously identified management challenges, the Department's actions have not, however, fully resolved the management challenges identified in our FY 2008 report. As a result, in our judgment, the following management challenges remain as the Department enters FY 2010:

- Contract Administration
- Cyber Security
- Energy Supply
- Environmental Cleanup
- Safeguards and Security
- Stockpile Stewardship

As with a number of Federal agencies, the passage of the American Recovery and Reinvestment Act of 2009 (Recovery Act) and the unprecedented infusion of funds have impacted virtually all of the Department of Energy's programs and operations. In particular, the strain on human capital resources has been most noteworthy. For these reasons, we have elevated the following two focus areas to management challenge status:

- Recovery Act Implementation
- Human Capital Management

Further, given its magnitude, implementation and execution of Recovery Act responsibilities has been a transformative effort on the core of the Department's mission. This includes direct impact on a number of the pre-existing management challenge categories, including contract administration, environmental cleanup and energy supply. In our view, Recovery Act implementation, and its more than \$36 billion in expenditures, carries with it a series of inherent risks and vulnerabilities. Our reports issued to date as well as those currently in progress have confirmed many of our initial concerns. For these

reasons, we have concluded that Recovery Act implementation and execution should be treated as a unique management challenge. The Department itself has expressed the view that these are daunting tasks that will require a great deal of effort if the goals of economic stimulation and new national energy strategies are to be achieved.

By continuing to aggressively address these challenges, the Department can enhance program efficiency and effectiveness; reduce or eliminate operational deficiencies; decrease fraud, waste, and abuse; achieve substantial monetary savings; and, of greatest importance, address U.S. energy needs in the future.

### Recovery Act Implementation

Signed by the President on February 17, 2009, the Recovery Act seeks to strengthen the U.S. economy through the creation of new jobs, aiding State and local governments with budget shortfalls, and investing in the long-term health of the Nation's economic prosperity. Intended to have an immediate stimulative impact, the Department's stated goal is to ensure that these funds are spent as expeditiously as possible, integrating money into the economy by the end of FY 2010, as required by the legislation. This effort, along with the necessity of providing effective oversight in subsequent years, represents a substantial increase in workload for virtually all Department programs and will undoubtedly strain existing resources.

In addition to injecting a significant amount of funding into Department programs, the requirements for agencies to implement unprecedented levels of transparency and accountability will present challenges that even the most well managed programs may find daunting. Under these circumstances and based on past experience, we identified a number of activities that need to be closely managed to help ensure that they satisfy Recovery Act goals. These areas include funding accountability and reporting, awarding and monitoring of grants and cooperative agreements, contract management, and management of loan programs.

Approximately one month after the President signed the Recovery Act, the Office of Inspector General issued a report entitled, "The American Recovery and Reinvestment Act and the Department of Energy," the primary aim of which was to provide the Department with "lessons learned" and risks that should be considered as activities progressed. Our review outlined the immediate impact that the Recovery Act will have on the inherent risks associated with operating the Department's sizable portfolio of missions and activities. If these challenges are to be met successfully, all levels of the

Department's structure and its many constituents, including the existing contractor community; the national laboratory system; state and local governments; community action groups and literally thousands of other contract, grant, loan and cooperative agreement recipients throughout the Nation will have to strengthen existing or design new controls to safeguard Recovery Act funds.

We recognized that the Department had initiated a number of efforts to help ensure that it achieves the transparency and accountability objectives of the Recovery Act. In particular, the Department is actively involved in identifying program and activity-specific risks and has developed plans to address those risks. In addition, the Department developed program and project-level operating plans from each of its major program elements detailing its risk mitigation strategies, internal controls, performance measures, and methods for the collection and reporting of data. Given the importance of the Recovery Act's initiatives and the sheer amount of funding provided, the successful implementation and management of the Recovery Act is of paramount importance and represents a significant management challenge for the foreseeable future.

### **Human Capital Management**

For a number of years, strategic management of human capital has been recognized by various government authorities and oversight organizations as one of the Government's "most glaring problems." In the past, officials have recognized that the Department's staff lacked adequate project and contract management skills required to oversee large projects. Subsequently, the Department undertook an effort to perform a critical skills gap analysis to review and evaluate specific critical skill needs. These actions led to our removal, in FY 2008, of the human capital focus area from our management challenges. With the passage of the Recovery Act and the increased workload associated with its implementation, the Department faces a significant workforce deficit and must move to address the challenge of maintaining a highly skilled workforce with the technical knowledge to perform its new and expanded mission. As such, we believe that the risks in this area have increased substantially and that it has once again become a critical area that will challenge all major program elements.

A specific area of concern, particularly in light of the rapid infusion of funds under the Recovery Act, centers on the Department's acquisition workforce. As a follow-up to a September 2007 review, the Office of Inspector General issued a report in March entitled, "The Department of Energy's Acquisition Workforce and its Impact on Implementation of the American Recovery and Reinvestment Act of 2009." The general conclusion of our 2007 review was that the

Department's budget, procurement obligations, and the number of procurement actions had risen steadily in recent years, while the number of contract specialists to oversee and execute these functions had remained relatively constant.

As a result of the Recovery Act and its significant impact on Department of Energy operations, we decided to update our analysis through 2008 to determine if the size of the procurement workforce had changed in the intervening period. We found that since our initial review the Department had, in fact, increased the number of contract specialists by 20 percent. However, as was the case at the time of our original review, procurement obligations within the Department have continued to rise steadily in recent years, increasing demands on the procurement workforce. In the environment currently facing the Department, ensuring transparency, accountability, and high quality program management requires the services of experienced, well-trained contract specialists. Over the last two years, the Department has made progress in expanding its roster of professionals in this field. We concluded that the Department staffing efforts should continue and, in fact, be intensified.

According to the Department, it will need to hire more than 5,000 new employees in the next four years to maintain its workforce. In a number of program areas, problems with identifying, attracting and maintaining staff necessary to complete Recovery Act related functions have been identified as significant programmatic risks. These shortages are not limited to Federal staff, but extend to contractors and peer reviewers needed to process and evaluate the many applications for the use of Recovery Act funds. The simple act of hiring a significant number of new employees is a challenge in itself. Successfully acquiring the caliber of employee necessary to accomplish the Department's diverse set of missions poses an even greater challenge. As a result, human capital management will continue to be a significant challenge area that will, at a minimum, require significant attention for the term of the Recovery Act program design and execution.

### **Contract Administration**

To accomplish its mission, the Department places significant reliance on contractors, employing nearly 100,000 contractor employees. The largest civilian contracting agency in the Federal government, contracts are awarded to industrial companies, academic institutions, and non-profit organizations that operate a broad range of Department facilities. In fact, a substantial portion of the Department's operations are carried out through contracts. With the addition of Recovery Act funding and initiatives, successful contract administration within the Department has taken on even greater importance. To its credit, the Department has focused significant attention



on this challenge, issuing a Corrective Action Plan in July 2008 as a means of improving its performance in the areas of contract and project management, which identified the 10 most significant issues and their underlying root causes that contribute to contract and project weaknesses. However, given the number of contracts handled by the Department and the complexity and importance of the Department's numerous multi-million dollar projects, combined with new challenges created by the Recovery Act, we believe that the area of Contract Administration remains a significant management challenge.

### **Cyber Security**

Given the importance and sensitivity of the Department's activities, along with the vast array of data that is produced, cyber security has become a crucial aspect of the Department's overall security posture. Although the Department has implemented numerous cyber security measures in recent years, security challenges and threats to the Department's information systems continue and are evolving. Adversaries routinely attempt to compromise the information technology assets of the Department. As such, it is critical that cyber security protective measures keep pace with the growing threat. As a result of these risks and in light of recent events involving intrusions to the Department's systems, we have identified Cyber Security as a significant management challenge.

### **Energy Supply**

The fluctuating cost of energy in recent years has underscored fundamental concerns related to the availability of energy supplies in the U.S. This issue has had a dramatic impact on energy consumers and the U.S. economy, with implications for our national security. While the Department's authorities in this area are indirect, there is an expectation that the Department will play a leadership role in ensuring that the Nation's energy needs are met through the development, implementation, and execution of sound energy policy. Providing the leadership to ensure reliable, affordable, and environmentally sound energy supply represents a significant management challenge for the Department. Addressing these issues will require both short-term and long-term solutions. For example, the Department is tasked with helping to modernize our national energy infrastructure; invest in clean energy technologies such as hydropower, wind, solar, and cellulosic biomass; and promote conservation in our homes and businesses. Along with provisions of the Energy Policy Act of 2005, the Recovery Act has had a significant impact on the Department's involvement and prioritization of these issues.

### **Environmental Cleanup**

Since its establishment, the Department has had an important environmental mission. With the end of the Cold War, this mission took on even greater importance as the agency began to dispose of large volumes of radioactive waste resulting from more than 50 years of nuclear defense and energy research work. Currently, the program includes responsibility for the cleanup of 107 contaminated nuclear weapons manufacturing and testing sites across the United States. The disposal and clean-up costs associated with these efforts are projected to be in the hundreds of billions of dollars. As outlined in other challenge areas, the Recovery Act has infused considerable funding in this vital area. As has been the case in previous years, Environmental Cleanup remains a management challenge that warrants significant attention on the part of Departmental management.

### **Safeguards and Security**

With the advancement of the Manhattan Project and the race to develop the atomic bomb during World War II, the origins of the Department are inextricably linked to national security. While the Department has shifted its focus over its history as the needs of the Nation have changed, special emphasis on safeguards and security has remained a vital aspect of the Department's mission. The Department plays a vital role in the Nation's security by ensuring the safety of the country's nuclear weapons, advancing nuclear non-proliferation, and providing safe and efficient nuclear power plants for the United States Navy. In order to faithfully execute its mission, the Department employs numerous security personnel, protects various classified materials and other sensitive property, and develops policies designed to safeguard national security and other critical assets.

### **Stockpile Stewardship**

The Department is responsible for the maintenance, certification, and reliability of the Nation's nuclear weapons stockpile. In order to ensure that our nuclear weapons continue to serve their essential deterrence role, the Department conducts stockpile surveillance and engineering analyses, refurbishes selected nuclear systems, and sustains the ability to restore the manufacturing infrastructure for the production of replacement weapons. While we recognize that the Department has taken action in recent years to further enhance the safety and reliability of the Nation's nuclear weapons stockpile, additional action is necessary to sustain a viable nuclear weapon stockpile.



## SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

<b>Audit Opinion</b>	Unqualified				
<b>Restatement</b>	No				
<b>Material Weaknesses</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Ending Balance</b>
<b>Total Material Weaknesses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Effectiveness of Internal Control over Financial Reporting (FMFIA Section II)</b>						
Statement of Assurance	Unqualified					
<b>Material Weaknesses</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
No Material Weaknesses reported						
<b>Total Material Weaknesses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Effectiveness of Internal Control over Operations (FMFIA Section II)</b>						
Statement of Assurance	Unqualified					
<b>Material Weaknesses</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
No Material Weaknesses reported						
<b>Total Material Weaknesses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Conformance with financial management system requirements (FMFIA Section IV)</b>						
Statement of Assurance	Systems conform to financial management system requirements					
<b>Non-Conformances</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
No non-conformances reported						
<b>Total non-conformances</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Conformance with Federal Financial Management Improvement Act (FFMIA)</b>						
	Agency			Auditor		
Overall Substantial Compliance	Yes			Yes		
1. System Requirements				Yes		
2. Accounting Standards				Yes		
3. USSGL at Transaction Level				Yes		

## FINANCIAL MANAGEMENT SYSTEMS PLAN

### iManage

iManage is the Department's solution for managing enterprise-wide corporate business systems and information. The primary objectives of iManage are to improve financial and business system and processing efficiencies, enhance decision making capabilities, deploy collaboration and social networking tools, and expand transparent electronic government in support of Presidential priorities. The iManage strategic theme is "Connecting our People, Simplifying our Work, Liberating our Data."

iManage is a collaborative effort to modernize, consolidate, streamline, and integrate financial, budgetary, procurement, personnel, program and performance information. The program is supported at the core by a portal/central data warehouse that links common data elements from each of the Department's business systems and supports both external and internal reporting. The major system components that comprise iManage are:

- iManage Data Warehouse (IDW)/iPortal
- Standard Accounting and Reporting System (STARS)
- Corporate Human Resources Information System (CHRIS)
- Strategic Integrated Procurement Enterprise System (STRIPES)
- Budget Formulation-Publication-Execution (iBudget)

iManage also includes travel and payroll processing. Travel processing services are provided by General Services Administration eTravel Services using a system called GovTrip. Payroll processing services are outsourced to the Defense Finance and Accounting Service.

iManage 1.0 was primarily focused on the modernization, integration and implementation of the Department's corporate financial and business systems. Significant accomplishments have been made in this area and additional work is in progress to complete the modernization of all business systems. iManage 2.0 is now shifting much of the focus to the value of providing products and services to support the Department's strategic vision, mission and decision-making, and interactive peer-to-peer participation. iManage must also address future workforce needs, specifically, decreased learning curve and improved access to training; increased access to experts and peers; more work using the web and remote access; and improved access to systems and information.

### Current Systems

*iManage Data Warehouse (IDW)/iPortal* - IDW is a central data warehouse linking common data element from multiple DOE/iManage corporate business applications providing reporting and decision-making capabilities to DOE executives, managers,

and staff. iPortal, initially deployed in the 4<sup>th</sup> quarter of FY 2008, is the iManage "face" to its customers/users. It provides access to iManage applications, personalized dashboards, messaging, discussion boards, collaboration capabilities, news, reporting, graphing and data exchange capabilities to DOE executives, managers and staff. Heavy emphasis was placed on the iPortal in FY 2009 as the Department's single point of internal information supporting the American Recovery and Reinvestment Act.

*Standard Accounting and Reporting System* – STARS provides the Department with a modern, comprehensive and responsive financial management system that provides the foundation for linking budget formulation, budget execution, financial accounting, financial reporting, cost accounting and performance measurement. The financial management component is integrated with the other major corporate business systems, procurement, budget formulation and execution and human resources.

*Corporate Human Resource Information System* – CHRIS is a single, integrated Human Resource (HR) system created through a phased approach to provide the highest quality HR information and services to the Department's executives, managers and staff. The primary objectives for CHRIS are to enhance operational efficiencies; reduce paperwork; eliminate redundant information systems; eliminate non-value added work; and provide strategic information necessary to make informed human resource management decisions.

*Strategic Integrated Procurement Enterprise System* – STRIPES is the procurement and contracts management component of iManage, automating all procurement and contract activities required or directly associated with planning, awarding and administering various unclassified acquisition and financial assistance instruments. STRIPES replaced and consolidated federal corporate, regional and local procurement-related systems across the Department. STRIPES was deployed to all but three Departmental sites in FY 2008/FY 2009, with plans to finalize the remaining deployments in FY 2010.

### Systems Underway

*iBudget* – iBudget will standardize budget formulation process/templates, automatically publish the budget documents, streamline budget execution processes, integrate budget and performance data, and consolidate corporate budget data. In FY 2009, the Department entered into an agreement with the Treasury to use their web-based multi-agency application, Budget Formulation Execution Manager, offered as a shared service under the Budget Formulation and Execution Line of Business. Deployment of the budget formulation module is planned for FY 2010.

## IMPROPER PAYMENTS INFORMATION ACT REPORTING

The Improper Payments Information Act (IPIA) of 2002, Public Law (P.L.) No. 107-300, requires agencies to annually review their programs and activities to identify those susceptible to significant improper payments. In addition, the National Defense Authorization Act for FY 2002 (P.L. No. 107-107) established the requirement for government agencies to carry out cost effective programs for identifying and recovering overpayments made to contractors, also known as "Recovery Auditing." The OMB has established specific reporting requirements for agencies with programs that possess a significant risk of erroneous payments and for reporting on the results of recovery auditing activities.

### Improper Payments

Improper payments are monitored by the Department on an annual basis to ensure our error rates remain at minimal levels.

For determining payments subject to the IPIA, the Department includes all payments, whether from contracts or grants. The Departmental erroneous payment rate has remained below one percent since the inception of our tracking program in FY 2002.

### Recovery Auditing

The Department has established a policy for implementing recovery auditing requirements. This policy prescribes requirements for identifying overpayments to contractors and establishes reporting standards to track the status of recoveries. Analysis of payment activities confirmed a low percentage of overpayments and a high recovery rate. The Department will continue to focus on both the identification and recovery of improper payments to maintain our record of low payment errors and ensure effective stewardship of public funds.

### **Recovery Auditing (\$ in millions)**

FY 2008				FY 2004 – FY 2007		FY 2004 – FY 2008	
Amount Subject to Review	Actual Amount Reviewed and Reported*	Amounts Identified for Recovery	Amounts Recovered	Amounts Identified for Recovery	Amounts Recovered	Cumulative Amounts Identified for Recovery	Cumulative Amounts Recovered
\$19,845	\$9,021	\$10.9	\$10.8	\$54.5	\$45.8	\$65.4	\$56.6

\* Utilized a statistically determined sample size at the 90 percent level of confidence.

### **Improper Payment Rates and Outlook (\$ in millions)**

Payment Type	FY 2008			FY 2009			FY 2010			FY 2011			FY 2012		
	Outlays \$	Improper Outlays \$	% of Improper Outlays	Outlays \$	Improper Outlays \$	% of Improper Outlays	Outlays \$	Improper Outlays \$	% of Improper Outlays	Outlays \$	Improper Outlays \$	% of Improper Outlays	Outlays \$	Improper Outlays \$	% of Improper Outlays
Vendor/Contracts	15,770	13.0	.08	17,394	12.1	0.07	20,003	4.0	0.02	19,003	3.8	0.02	18,053	3.6	0.02
Payroll	6,428	2.0	.03	7,268	1.4	0.02	8,357	1.7	0.02	7,939	1.6	0.02	7,542	1.5	0.02
Travel	283	0.3	.11	313	0.5	0.16	360	0.1	0.02	342	0.1	0.02	325	0.1	0.02
Other	324	0.0	.01	423	0.1	0.02	487	0.1	0.02	467	0.1	0.02	439	0.1	0.02
Total	22,805	15.3	.07	25,398	14.1	0.06	29,207	5.8	0.02	27,746	5.5	0.02	26,359	5.3	0.02

OTHER STATUTORY REPORTING – MANAGEMENT’S RESPONSE TO AUDIT REPORTS

Pursuant to the Inspector General Act Amendments of 1988 (Public Law 100-504), agency heads are to report to Congress on the status of final action taken on audit report recommendations. This report complements a report prepared by the Department’s IG that provides information on audit reports issued during the period and on the status of management decisions made on previously issued IG audit reports.

Inspector General Audit Reports

The Department responds to audit reports by evaluating the recommendations they contain, formally responding to the IG, and implementing agreed upon corrective actions. In some instances, we are able to take corrective action immediately and in others, action plans with long-term milestones are developed and implemented. The audit resolution and follow-up process is an integral part of the Department’s effort to deliver its priorities more effectively and at the least cost. Actions taken by management on audit recommendations increase both the efficiency and effectiveness of our operations and strengthen our standards of accountability.

During FY 2009, the Department took final action on 77 IG reports with the agreed-upon actions including final action on three IG operational, financial and pre-award audit reports with funds put to better use. At the end of the period, 95 reports awaited final action.

Status of Final Action on IG Audit Reports for FY 2009

The following chart provides more detail on the audit reports with open actions and the dollar value of recommendations and funds “put to better use” that were agreed to by management.

Audit Reports	Number of Reports	Agreed-Upon Funds to Better Use (\$ in millions)
Pending final action at start of FY 2009	91	\$127.7
With actions agreed upon	44	\$0.6
Total pending final action	135	\$128.3
Achieving final action	40	\$115.0
Requiring final action at end of FY 2009	95	\$13.3

Inspector General’s Contract Audit Reports

During FY 2009, there was one IG contract audit report pending final action.

Contract Audit Reports Statistical Table FY 2009

Total Number of IG Contract Audit Reports (Contract and Financial Assistance) and the dollar value of disallowed costs:

Contract Audit Reports	Number of Reports	Disallowed Costs* (\$ in millions)
Pending final action at start of FY 2009	1	\$0
With actions agreed upon	0	
Total pending final action	1	
Achieving final action	1	
Recoveries	0	
Reinstatements	0	
Requiring final action at end of FY 2009	0	\$0

\* The amount of costs questioned in the audit report with which the contracting officer concurs and has disallowed as a claim against the contract. Recoveries of disallowed costs are usually obtained by offset against current claims for payment and subsequently used for payment of other eligible costs under the contract.

Government Accountability Office Audit Reports

The GAO audits are a major component of the Department’s audit follow-up program. At the beginning of FY 2009 there were 48 GAO audit reports awaiting final action. During FY 2009, the Department received 32 additional final GAO audit reports, of which 16 required tracking of corrective actions and 16 did not because the reports did not include actions to be taken by the Department. The Department completed agreed-upon corrective actions on 19 audit reports during FY 2009, leaving 45 GAO reports awaiting final action at year-end.

## GLOSSARY OF ACRONYMS

AFR – Agency Financial Report	GMRA – Government Management Reform Act
AMIP – Adaptive Management Implementation Plan	GNEP – Global Nuclear Energy Partnership
AFCI – Advanced Fuel Cycle Initiative	GSP – Graded Security Protection
APR – Annual Performance Report	HEP – Office of High Energy Physics
ARO – Asset Retirement Obligations	HEV – Hybrid-Electric Vehicles
ARRA – American Recovery and Reinvestment Act	HMO – Health Maintenance Organization
ATVM – Advanced Technology Vehicle Manufacturing	HR – Human Resource
BiOp – Biological Opinion	HSS – Office of Health, Safety and Security
BPA – Bonneville Power Administration	HWMA – Hazardous Waste Management Act
CAP – Corrective Action Plan	iBudget – iManage Budget
CCPI – Clean Coal Power Initiative	IDW – iManage Data Warehouse
CCS – Carbon Capture and Storage	IG – Inspector General
CERCLA – Comprehensive Environmental Response, Compensation, and Liability Act	IGCC – Superclean Integrated Gasification Combined Cycle
CGS – Columbia Generating Station	IOU – Investor Owned Utility
CHRIS – Corporate Human Resources Information System	IPIA – Improper Payments Information Act
CIP – Corporate Implementation Plan	ISO – California Independent System Operator
CO <sub>2</sub> – Carbon Dioxide	LCLS – Linac Coherent Light Source
Corps – U. S. Army Corps of Engineers	LEU – Low Enriched Uranium
CR – Continuing Resolution	LM – Office of Legacy Management
CSRS – Civil Service Retirement System	M&O – Management and Operating
CWIP – Construction Work in Process	MMS – Mineral Management Service
D&D – Decontamination and Decommissioning	MT – Metric Tons
DOD – Department of Defense	MTU – Metric Tons of Uranium
DOE – Department of Energy	NE – Office of Nuclear Energy
EEOICPA – Energy Employees Occupational Illness Compensation Program Act	NEPA – National Environmental Policy Act
EERE – Office of Energy Efficiency and Renewable Energy	NGNP – Next Generation Nuclear Plant
EFRCs – Energy Frontier Research Centers	NIF – National Ignition Facility
EM – Environmental Management	NNSA – National Nuclear Security Administration
EPAct05 – Energy Policy Act of 2005	NP – Office of Nuclear Physics
ERISA – Employee Retirement Income Security Act	NRC – Nuclear Regulatory Commission
ES&H – Environment, Safety, and Health	NRD – Natural Resources Damages
ESA – Endangered Species Act	NWF – Nuclear Waste Fund
FASAB – Federal Accounting Standards Advisory Board	NWPA – Nuclear Waste Policy Act
FASB ASC – Financial Accounting Standards Board's Accounting Standards Codification	OCRWM – Office of Civilian Radioactive Waste Management
FCRA – Federal Credit Reform Act of 1990	OMB – Office of Management and Budget
FCR&D – Fuel Cycle Research and Development	OPAM – Office of Procurement and Assistance Management
FCRPS – Federal Columbia River Power System	OPM – Office of Personnel Management
FE – Office of Fossil Energy	ORNL – Oak Ridge National Laboratory
FERC – Federal Energy Regulatory Commission	PAR – Performance and Accountability Report
FERS – Federal Employees Retirement System	PARS – Project Assessment Rating System
FFB – Federal Financing Bank	PDP – Medicare Part D prescription drug plan
FFMIA – Federal Financial Management Improvement Act	PHEV – Plug-in Hybrid Electric Vehicles
FISMA – Federal Information Security Management Act	P.L. – Public Law
FMFIA – Federal Managers' Financial Integrity Act	PMA – Power Marketing Administrations
FOA – Funding Opportunity Announcement	PP&E – Property, Plant, and Equipment
FY – Fiscal Year	PPO – Preferred Provider Organization
GAO – Government Accountability Office	PRB – Post Retirement Benefits Other Than Pensions
	PV – Solar photovoltaic
	PX – California Power Exchange
	R&D – Research and Development



## Other Accompanying Information

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RCSP – Regional Carbon Sequestration Partnership  
RD&D – Research, Development & Deployment  
REP – Residential Exchange Program  
RIK – Royalty-in-Kind  
ROD – Record of Decision  
RPSA – Residential Purchase and Sale Agreements  
RSI – Required Supplementary Information  
RSSI – Required Supplementary Stewardship Information  
SBIR – Small Business Innovative Research  
SFAS – Statement of Financial Accounting Standards

SFFAS – Statement of Federal Financial Accounting Standards  
SNF – Spent Nuclear Fuel  
SPR – Strategic Petroleum Reserve  
STARS – Standard Accounting and Reporting System  
STRIPES – Strategic Integrated Procurement Enterprise System  
UCSD – University of California at San Diego  
USEC – United States Enrichment Corporation  
WAPA – Western Area Power Administration  
WIPP – Waste Isolation Pilot Plant

## INTERNET REFERENCES/LINKS

### **2009 DOE PAR Reports**

<http://www.energy.gov/about/budget.htm>

### **Advanced Research**

<http://www.netl.doe.gov/technologies/coalpower/advresearch/>

### **Advanced Research Projects-Energy**

<http://arpa-e.energy.gov/>

### **Advance Scientific Computing**

[http://www.science.doe.gov/Program\\_Offices/ASCR.htm](http://www.science.doe.gov/Program_Offices/ASCR.htm)

### **Advanced Technology Vehicles (ATVM)**

<http://www.atvmloan.energy.gov/>

### **Appliance Rebates**

<http://www.energy.gov/news2009/7634.htm>

### **Atomic Energy Commission**

[http://www.cfo.doe.gov/me70/manhattan/civilian\\_control.htm](http://www.cfo.doe.gov/me70/manhattan/civilian_control.htm)

### **Batteries**

<http://www.energy.gov/news2009/7751.htm>

### **Basic Energy Sciences**

[http://www.science.doe.gov/Program\\_Offices/BES.htm](http://www.science.doe.gov/Program_Offices/BES.htm)

### **Biological and Environmental Research**

[http://www.science.doe.gov/Program\\_Offices/BER.html](http://www.science.doe.gov/Program_Offices/BER.html)

### **Biomass & Biorefinery Systems R&D**

<http://www1.eere.energy.gov/biomass/>

### **Block Grant Program**

<http://www.eecbg.energy.gov/default.html>

### **Building Technologies**

<http://www1.eere.energy.gov/buildings>

### **Carbon Capture and Storage Technology (CCS)**

<http://www.fossil.energy.gov/programs/sequestration/index.html>

### **Civilian Radioactive Waste Management**

<http://www.rw.doe.gov/index.shtml>

### **Clean Cities Alternative Fuel Vehicles Program**

<http://www1.eere.energy.gov/cleancities/about.html>

### **Clean Coal Power Initiative**

<http://fossil.energy.gov/programs/powersystems/cleancoal/>

### **Control System Security**

[http://www.oe.energy.gov/information\\_center/documents.htm#controlssecurity](http://www.oe.energy.gov/information_center/documents.htm#controlssecurity)

### **Conversion of Cellulosic Ethanol**

[http://www.afdc.energy.gov/afdc/ethanol/production\\_cellulosic.html](http://www.afdc.energy.gov/afdc/ethanol/production_cellulosic.html)

### **Department of Energy**

<http://www.energy.gov/index.htm>

### **Electrical grid**

<http://www.oe.energy.gov/smartgrid.htm>

### **Energy Frontier Research Center**

<http://www.sc.doe.gov/bes/EFRC.html>

### **Energy Information Administration**

<http://www.eia.doe.gov/>

### **Energy Storage and Renewable System Integration**

<http://www.oe.energy.gov/renewable.htm>

### **Federal Energy Management Program**

<http://www1.eere.energy.gov/femp>

### **Fuel cell**

[http://www.afdc.energy.gov/afdc/vehicles/fuel\\_cell.html](http://www.afdc.energy.gov/afdc/vehicles/fuel_cell.html)

### **Fusion Energy Sciences**

[http://www.science.doe.gov/Program\\_Offices/fes.htm](http://www.science.doe.gov/Program_Offices/fes.htm)

### **FutureGen**

<http://www.netl.doe.gov/technologies/coalpower/futuregen/>

### **Gas Hydrates**

<http://fossil.energy.gov/programs/oilgas/hydrates>

### **Geothermal Energy**

<http://www.energy.gov/energysources/geothermal.htm>

### **Geothermal Technology**

<http://www1.eere.energy.gov/geothermal/>

### **High Temperature Superconductivity (HTS)**

<http://www.oe.energy.gov/hts.htm>

### **High Energy Physics**

[http://www.science.doe.gov/Program\\_Offices/HEP.htm](http://www.science.doe.gov/Program_Offices/HEP.htm)

### **High Performance Computing**

<http://www.cio.energy.gov/high-performance-computing.htm>

### **Hydrogen Technology**

<http://www1.eere.energy.gov/hydrogenandfuelcells/>

### **Industrial Technologies**

<http://www1.eere.energy.gov/industry>

### **Innovative, Advanced Technology Vehicles**

<http://www.atvmloan.energy.gov/>

### **Legacy Management**

<http://www.lm.doe.gov/>

### **Legacy Waste Sites**

<http://www.energy.gov/>

### **Loan guarantees**

<http://www.lgprogram.energy.gov/>

### **Manhattan Project**

<http://www.cfo.doe.gov/me70/manhattan/>

**National Ignition Facility**

<http://www.eurekalert.org/features/doe/2009-04/dlnl-doe040809.php>

**National Nuclear Security Administration**

<http://nnsa.energy.gov/>

**Naval Reactors**

[http://www.nnsa.energy.gov/naval\\_reactors/](http://www.nnsa.energy.gov/naval_reactors/)

**Nuclear Detonation Detection**

[http://www.nnsa.energy.gov/nuclear\\_nonproliferation/1917.htm](http://www.nnsa.energy.gov/nuclear_nonproliferation/1917.htm)

**Nuclear Physics**

[http://www.science.doe.gov/Program\\_Offices/NP.htm](http://www.science.doe.gov/Program_Offices/NP.htm)

**Nuclear stockpile**

[http://www.nnsa.energy.gov/defense\\_programs/The\\_Stockpile.htm](http://www.nnsa.energy.gov/defense_programs/The_Stockpile.htm)

**Office of Electricity Delivery and Energy Reliability**

<http://www.oe.energy.gov/>

**Office of Energy Efficiency and Renewable Energy**

<http://www.eere.energy.gov/>

**Office of Environmental Management**

<http://www.em.doe.gov/Pages/EmHome.aspx>

**Office of Fossil Energy**

<http://fossil.energy.gov/>

**Office of Management and Budget**

<http://www.whitehouse.gov/omb/>

**Office of Nuclear Energy**

<http://www.ne.doe.gov>

**Office of Science**

<http://www.science.doe.gov>

**PAR Reports**

<http://www.energy.gov/about/budget.htm>

**President's Budget**

<http://www.whitehouse.gov/omb/budget>

**Power Marketing Administrations**

<http://www.energy.gov/organization/powermarketingadmin.htm>

**Proliferation Detection**

[http://www.nnsa.energy.gov/nuclear\\_nonproliferation/1913.htm](http://www.nnsa.energy.gov/nuclear_nonproliferation/1913.htm)

**Reports Consolidation Act of 2000**

<http://www.cbo.gov/ftpdocs/21xx/doc2193/s2712.pdf>

**Research, Development and Demonstration Program**

<http://www.netl.doe.gov/technologies/coalpower/index.html>

**Small Business Innovative Research/Technology Transfer**

<http://www.science.doe.gov/sbir>

**Smart Grid**

<http://www.oe.energy.gov/smartgrid.htm>

**Solar America Cities**

[http://www1.eere.energy.gov/solar/solar\\_america\\_cities.html](http://www1.eere.energy.gov/solar/solar_america_cities.html)

**Solar Energy**

<http://www1.eere.energy.gov/solar/>

**Solar photovoltaic**

<http://www.energy.gov/energysources/solar.htm>

**State Energy Program**

[http://apps1.eere.energy.gov/state\\_energy\\_program/](http://apps1.eere.energy.gov/state_energy_program/)

**Tank waste processing**

<http://www.em.doe.gov/EM20Pages/TankWasteProcessing.aspx>

**Technology Innovation**

<http://www.bpa.gov/corporate/business/innovation>

**Vehicle Technologies**

<http://www1.eere.energy.gov/vehiclesandfuels/>

**Visualization and Controls**

[http://www.oe.energy.gov/our\\_organization/rnd.htm](http://www.oe.energy.gov/our_organization/rnd.htm)

**Weatherization Assistance Program**

<http://www.energy.gov/energyefficiency/weatherization.htm>

**Weatherization & Intergovernmental Activities**

<http://apps1.eere.energy.gov/wip/>

**Water Power**

<http://www1.eere.energy.gov/windandhydro/>

**Wind Energy**

<http://www.energy.gov/energysources/wind.htm>



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